

October 23
to life
ing this record

Weekend FT

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FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND OCTOBER 24/OCTOBER 25 1992

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China threatens to overturn Hong Kong plans

China said it would reverse democratic reforms proposed for Hong Kong by its governor, Chris Patten, if he introduced them without Beijing's consent. In a statement which emphasised the rift between Britain and China, Li Ping, China's top official on Hong Kong affairs, warned of turmoil in the colony during the transition from British to Chinese sovereignty in 1997. Page 22

Securities houses report losses: Japan's leading securities houses, including Nomura Securities, the largest broker, reported losses for the first half. Daiwa Securities reported a small profit, putting it ahead of Nomura for the first time. Brokers blamed the continuing weakness of prices and turnover on the Tokyo stock market. Page 10

Insider dealing moves to go ahead: The UK government intends to proceed with legislation on insider dealing despite strong opposition in London's financial centre, although it announced some concessions. Page 22; Lex, Page 22

Making a note of Edinburgh's EC summit



A £1 note to mark December's EC summit in Edinburgh, the first commemorative banknote issued in the UK, was unveiled by George Mathewson (above), chief executive of the Royal Bank of Scotland. It goes into circulation on December 8.

Mirror Group stopped: Journalists and other staff at London's Mirror Group Newspapers stopped work after the company confirmed that former Today editor David Montgomery had been appointed chief executive. Page 8

Transfusion chief stands down: Jean-Pierre Allain, formerly of the French national blood transfusion centre, was convicted in Paris of knowingly allowing AIDS-contaminated blood to be used in transfusions. He is to appeal. He stepped down from his present job of policy head of the transfusion centre at Addenbrooke's Hospital in Cambridge pending an inquiry. Page 2

Halifax calls for action: Britain's largest building society, the Halifax, wants the government to stimulate the housing market by cutting interest rates and increasing tax relief for first-time buyers. Page 5

Kohl seeks tax freeze: German chancellor Helmut Kohl hopes to freeze taxation for two years, but expects taxes to rise in 1993 to help pay for the accumulated costs of unification. Page 2

Ulster numbers nearly equal: The population of Ulster is 38.4 per cent Roman Catholic and 42.8 per cent Protestant - a difference of only 4.4 per cent - according to census figures. Protestants had been thought to have been in a majority of two to one. Page 4

Hanson attacks RHM demerger: Hanson condemned Rank's Hovis McDougall's demerger plan as "ill-conceived" and attacked the milling, baking and grocery company's record in its offer document. RHM again urged its shareholders to reject the offer. Page 8

Hospitals begin survival fight: Several London hospitals began fighting for survival as the government published plans for radical changes in the capital's healthcare. Page 22; Details, Page 4

Oil groups static: Exxon and Mobil, biggest US oil and natural gas groups, reported third-quarter net profits only slightly improved year-on-year. Mobil also announced it was to reorganise its European sales, marketing and administrative activities. Page 10

Asean accord: The Association of South-East Asian Nations agreed a programme to turn the six-nation regional group into a free trade area by 2008. Page 3

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,668.7 (+11.6)	New York futures	1.1815
Yield	4.5	London	
FT-SE Euroshare 100	1,834.38 (+12.85)	\$	1.915 (1.925)
FT-A All-Share	1,259.33 (+0.25)	£	1.915 (1.925)
Midland	77,117.55 (+104.61)	FF	8.3675 (8.3675)
New York futures		SF	2.2 (2.19)
Dow Jones Ind Ave	3,280.54 (-0.54)	Y	198.75 (195.75)
S&P Composite	414.21 (-0.69)	£ Index	82.5 (80.4)
US LUNCHTIME RATES		DOLLAR	
Federal Funds	2 3/4	New York futures	2.45
3-mo Treas Bill: Yld	2.9775	DM	1.5315
Long Bond	9.5	FF	5.194
Yield	7.8599	SF	1.2285
LONDON MONEY		Y	122.85
3-mo interbank	8 1/4 (7 1/4)	London	1.5305 (1.5105)
Life long gft future: Dec 100% (Dec 98%)		FF	5.1875 (5.1225)
NORTH SEA OIL (Argus)		SF	1.2045 (1.25)
Brent 15-day (Dec)	\$28.15 (20.2)	Y	121.95 (121.7)
WTI		£ Index	83.2 (82.7)
New York Crude (Oct)	\$34.3 (34.1)		
London	\$34.25 (34.2)		

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Major spurns attack on authority by Euro-rebels

By Philip Stephens,
Political Editor

MR John Major yesterday foreshadowed a bitter confrontation next month with Tory critics of the Maastricht treaty by dismissing a public challenge to his authority from the party's Eurosceptics.

Downing Street officials said Mr Major, who last night flew to Egypt to attend a weekend service marking the 50th anniversary of the battle of El Alamein, was determined to re-start the ratification process next month.

But as Labour indicated that it might join Tory critics in opposing the early return to Westminster of the Maastricht bill, Mr Major left open the option of a tactical retreat on the precise timetable for ratification.

The officials said that the prime minister wanted to make "progress" with the legislation before the Edinburgh summit in December. But he accepted that the line-by-line consideration of the legislation in its committee stage could be broken up into several stages, perhaps spanning Christmas. That would ensure

that disgruntled Conservative MPs would not have to stay at Westminster "night-and-day" to get the legislation through.

Senior ministers privately ridiculed a "hysteria" call by Lord Tebbit, the former cabinet minister, for MPs to reject ratification even if that forced Mr Major's resignation as party leader.

Mr Michael Heseltine, the trade and industry secretary, told rebel Tory MPs that the government would not jeopardise the "national interest" over problems on its own backbenches. If Mr Major was obliged to tell other

EC leaders that he could not deliver on the treaty it would mark the end of British influence in Europe.

After a week which has seen the government's authority further undermined by its enforced climbdown over coal closures, cabinet ministers sought to reassure Tory MPs that Maastricht would not deflect the government from its determination to secure economic recovery.

Mr Michael Howard, the environment secretary, said that early recovery was the "overriding objective". He argued that

the recent fall in the value of the pound would not lead to a renewed burst of inflation, and echoed Mr Major's clear hint earlier in the week that a tight public spending round would pave the way for a further cut in interest rates.

The fresh row over Maastricht followed an "ambush" on Thursday evening by Eurosceptics on the executive of the Tory backbench 1992 committee. The executive, which is dominated by MPs on the right of the party, called for a delay in the legislation until economic recovery was under

way. But in spite of a public reinforcement of that message yesterday by Sir Rhodes Boyson, a leading member of the 1992, there were signs that the executive was backing away from direct confrontation.

Mr George Robertson, Labour's European spokesman, sought to add to the pressure on Mr Major by suggesting that the Labour party could join forces with Tory rebels to delay the ratification process until next year.

Backbenchers in the news, Page 6

Rival carriers say deal is anti-competitive ■ Up to 1,600 jobs to go

BA agrees to rescue Dan-Air

By Paul Betts and Daniel Green

BRITISH AIRWAYS yesterday agreed to rescue Dan-Air, the UK's oldest independent airline, in a deal attacked as anti-competitive by rival carriers.

BA agreed to take over Dan-Air, which was due to celebrate its 40th anniversary next year, for a nominal £1. It will also assume the airline's liabilities, which BA estimates at £35m.

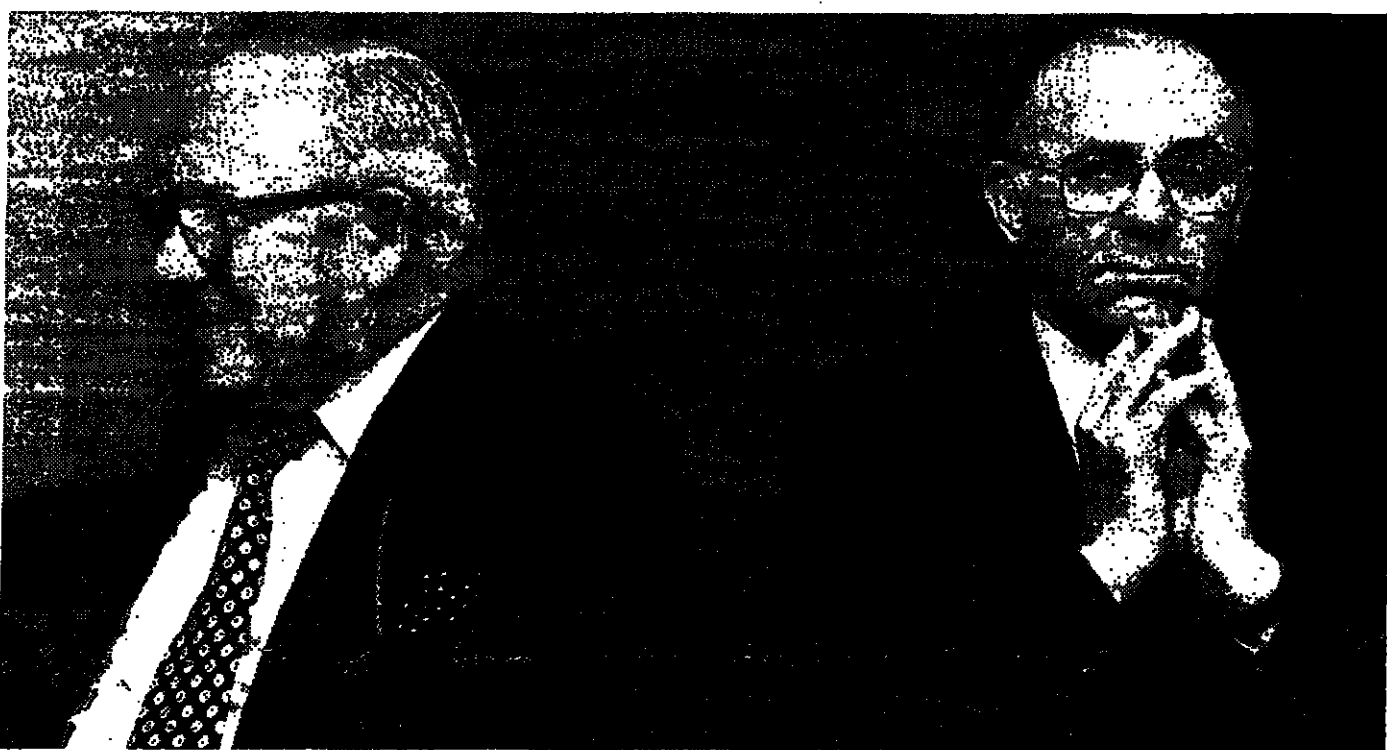
The rescue would mark the biggest consolidation in the UK airline industry since BA bought British Caledonian nearly five years ago. It will involve the loss of up to 1,600 full-time jobs and the closure of Dan-Air's charter operations.

The deal was described by BA and Mr David James, chairman of Dan-Air's parent, Davies & Newman Holdings, as the only alternative to receivership.

Other independent UK carriers demanded a "thorough investigation" by the Monopolies and Mergers Commission. They said the takeover would entrench BA's domination of the UK market and undermine the British government's efforts to promote a multi-airline competition policy.

Sir Michael Bishop, chairman of British Midland, described BA as "no white knight" and said the takeover would be "damaging to competition and choice". He said he had contacted the regulatory authorities in the UK and in Brussels.

Sir Colin Marshall, BA's chief executive and deputy chairman, said his airline would not complete the deal if it was forced to give up routes and landing slots. Without rapid regulatory approval, BA said it would abandon the deal.



BA chairman Lord King (left) and David James agree on a deal to rescue Dan-Air and assume the troubled airline's liabilities, estimated at £35m

Mr Richard Branson, chairman of Virgin Atlantic, said he would retaliate by launching a short-haul carrier called Virgin European Airways to compete with BA.

BA said the Dan-Air acquisition would be part of a cost-saving restructuring of its own operations at London's Gatwick airport.

A new airline will be established under the BA livery employing between 400 and 600 of Dan-Air's nearly 2,000 permanent staff. These employees will be offered lower salaries than they

had at Dan-Air. Some 400 Dan-Air temporary staff are also likely to lose their jobs.

BA's new Gatwick-based short-haul airline subsidiary will operate Dan-Air's scheduled routes with a fleet of 12 Boeing 737s and BA's existing Gatwick services with 10 Boeing 737s. Dan-Air will reduce its scheduled network from 28 to 12 routes and dispose of 36 of its fleet of 38 aircraft.

Dan-Air made an operating loss of £24m in the first half of 1991 and is expected to continue losing money during the winter season. BA believes it can turn

around the operation by next year.

Davies & Newman, whose shares will remain suspended, will be wound up once the transaction is completed. Shareholders will receive nothing, but Mr James said creditors would be fully reimbursed.

Dan-Air was a successful independent carrier until 1989 when it started losing money.

Mr James was called in two

years ago to restructure the business for a fee of £30,000 a month. He failed despite an emergency rights issue which raised almost £50m last year. Since January, his pay has dropped to £7,500 a month.

His critics say his decision to expand Dan-Air's scheduled

Continued on Page 22
Background, Page 8
Lex, Page 22

EC and US officials try to avert trade war

By David Gardner in Brussels and David Dodwell and Alison Smith in London

TOP European Community and US farm negotiators held a series of urgent phone talks yesterday in an effort to avert an internationally damaging trade war.

In Brussels last night said both sides were anxious to maintain contact "to achieve a rapid and successful conclusion" of trade reform talks.

Meanwhile Mr John Major and Chancellor Helmut Kohl launched a four-point initiative to resume the negotiations which broke down in Brussels on Wednesday. A crisis was triggered when EC officials refused to agree to US demands for reform of the EC's oilseeds subsidy regime. US farmers argue that the regime has cost them \$1bn (£600m) in lost oilseeds exports.

In a 30-minute phone call yesterday morning the British and German leaders agreed that the EC would have to shift its position to ensure the continuation of the talks in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT).

They agreed that:
● Mr Ray MacSharry, European farm commissioner, should be told to return to the negotiations.
● The European Commission must be told that the talks could not be allowed to founder.

Continued on Page 22

FACED WITH LOWER INTEREST RATES AND RETIREMENT ?



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NEWS: INTERNATIONAL

Bank of Italy drops discount rate to 14%

By Robert Graham in Rome

THE Bank of Italy yesterday announced it was lowering the discount rate one percentage point to 14 per cent from Monday.

This is the first signal that the Italian monetary authorities believe the recent turbulence in the international foreign exchange markets has calmed and that the lira has achieved a relatively stable floating rate.

The move came a day after the Italian parliament approved a special law delegating the Amato government to carry out structural reforms in pensions, the health service, local government and the civil service. These four areas have been one of the main causes of the country's huge public sector deficit, equivalent to more than 10.5 per cent of gross domestic product. The reforms will provide one third of the savings in the 1993 budget.

A Bank of Italy statement said the drop in the discount rate was also prompted by the calmer state of the international markets and by the continued decline in Italian inflation. Preliminary figures for this month suggest the annual average for inflation will be 5 per cent.

Although this continued fall has yet to reflect the effects of the lira's devaluation and float since it left the Exchange Rate Mechanism along with sterling on September 17, the authorities appear confident the impact can be limited in Italy's depressed economy.

The central bank has been under pressure for several days to follow the general easing of rates in Europe, and in the past two weeks has been gradually lowering its short term and overnight rates. However, this time it has been especially cautious. Officials were well aware of the experience of August.

On August 8 the discount rate was dropped from 13.75 per cent to 13.25 per cent in response to parliament approving the 1992 emergency budget. But by the end of the month the Bank of Italy was forced to begin defending the lira again, leading to the last rise on September 4. Each one percentage point drop in interest rates is estimated to lower the cost of servicing Italy's debt by some L15,000bn a year.

Over the past week, the lira has stabilised against the D-Mark around the L370 to L380 level. This compares with floating rates of nearly L1,000 at the height of market turbulence.

The current parity is close to where Bank officials believe the lira could hold. This is a 16 per cent devaluation against the German currency.

Officials yesterday declined to specify when the lira was likely to seek re-entry to the ERM. But Italy is expected to wait until more items in the budget are approved and completion of negotiations for an ECU loan facility from the EC. This means re-entry is unlikely before December.

Mr Florio Fiorini, the Geneva-based Italian financier, has been arrested by Swiss police on charges of alleged fraud in connection with the collapse of his stock market quoted Sasea holding company, writes Haig Simoniou from Milan.

Mr Fiorini is best known as the one-time partner of Mr Giancarlo Parretti, the Italian businessman with whom he took over the MGM film studios in the US. The two financiers parted company last year, and Mr Parretti has since been involved in a legal battle with his bankers. The administrators of Sasea have until the end of February to put forward plans to restructure the group. In spite of numerous disposals, Sasea is still weighed down by heavy borrowings.



Protesters are dragged away by French police outside the court where Dr Garretta (top left) and Dr Allain were given jail sentences yesterday

French officials jailed for aids deaths

By William Dawkins in Paris

THREE former senior French health officials received prison sentences yesterday after being found guilty of allowing blood carrying the HIV virus to be injected into 1,200 haemophiliacs in the most serious medical scandal to hit France in recent years.

A Paris court sent Dr Michel Garretta, former head of the national blood transfusion centre, to prison for four years for fraud and criminal negligence and fined him FF600,000

(£50,241), the heaviest sentence available.

More than 250 haemophiliacs have died as a result of receiving infected blood seven years ago from the state transfusion service, at the time a monopoly. The trial, which opened in the summer, has been an emotionally charged factor in the declining popularity of the ruling Socialist party.

Dr Garretta's colleague, Dr Jean-Pierre Allain, former head of transfusion research at the centre, was given a four-year sentence with two years

suspended, on the same charges.

He said yesterday he had been made a scapegoat and would appeal. Dr Allain was suspended yesterday from a British post as a director of the East Anglian blood transfusion service.

The third official, Mr Jacques Roux, former public health director, received a four-year suspended sentence for criminal negligence, while a fourth, Dr Robert Netter, former director of the health ministry laboratory, was

acquitted of the same charge.

In addition, the court ordered Mr Garretta and Mr Allain and the national blood transfusion foundation to pay FF9.2m to the victims, who will also receive compensation from the government. This will run into "billions of francs" Mr Michel Sapin, the finance minister, said yesterday.

Aids sufferers' groups yesterday condemned the sentences as inadequate and renewed calls for the trial of the politicians responsible for health at the time.

Members of Act Up, the leading anti-Aids action group, demonstrated outside the court calling for a "Nuremberg of Aids."

However, government ministers can only be tried for crimes relating to their jobs if impeached by parliament. The right-wing opposition tried without success earlier this month to impeach Mr Laurent Fabius, prime minister at the time, plus Mrs Georgina Dufoux and Mr Edmond Hervé, former ministers of social security and health.

NEWS IN BRIEF

Owen to 'reverse' Bosnia carve-up

There will be no internationally-sanctioned ethnic carve-up of Bosnia-Herzegovina in any future constitutional settlement, the two international mediators for former Yugoslavia said yesterday, Frances Williams writes from Geneva.

Lord Owen, the EC mediator, and Mr Cyrus Vance, for the UN, said in Geneva that territory seized by force would not be recognised. "We do not accept this status quo as permanent and we intend to see that it is changed," Lord Owen said.

Earlier, the UN human rights investigator for ex-Yugoslavia, Mr Tadeusz Mazowiecki, said on his return from an 11-day visit to the region that the objectives of the "ethnic cleansing" policy in Bosnia had already been achieved. But Lord Owen said the constitution for Bosnia-Herzegovina now being drafted would provide for the effects of "ethnic cleansing" to be reversed.

Turkey roots out Kurds

Turkish troops launched a largescale land and air operation yesterday against the separatist Kurdistan Workers Party (PKK) rebels in north Iraq, writes John Murray Brown from Ankara.

The military operation involves grounds troops up to 5km inside north Iraq and both helicopter and fighter air support. After winning assurances from Syria and Iran not to offer sanctuary to the PKK, Turkey is taking the opportunity before the snows arrive to force about 8,000 PKK rebels from their mountain bases. Turkish newspapers reported more than 5,000 Turkish commandos were now involved in rooting out the camps.

French trade in surplus

France's trade balance swung sharply back into surplus last month, helped by a rise in exports of Airbus jets, a traditionally erratic factor in French trade flows, William Dawkins reports from Paris.

The French trade surplus reached FF3.7bn (£440m) in September, after a surprise FF3.04bn deficit in August, according to seasonally corrected figures from the customs directorate.

France has now recovered three-quarters of the FF160bn it committed to defend the parity of the franc during last month's currency crisis, according to the French finance minister, Mr Michel Sapin, Barry Riley reports from Paris.

Dam row goes to summit

Czechoslovakia and Hungary will make a last-ditch effort to resolve their controversy over the Gabčíkovo dam on the river Danube at next week's European Community-Central Europe summit meeting in London, Anthony Robinson writes.

The Slovak side has started to divert water prior to an agreement, but claims this is necessary to prevent high river levels flooding the dam and ancillary works on which over \$1bn has been spent. The International Court of Justice yesterday said that that Hungary had asked it to help resolve the row.

Uzbekistan joint venture

Daewoo, the South Korean conglomerate, will set up a consumer electronics factory in Uzbekistan by 1994 in a \$30m joint venture with the Tashkent government, John Burton writes from Seoul. Daewoo also plans to build an auto assembly plant in the Central Asian republic - which is home to thousands of ethnic Koreans - by 1995.

New S Korean party

A group of mainly conservative dissident politicians from South Korea's ruling party yesterday formed the New Korea Party to challenge the three main candidates in December's presidential election, John Burton writes. However, the party is expected to have little chance of success.

Kohl backs tax to pay costs of unification

By Quentin Peel in Bonn

CHANCELLOR Helmut Kohl has thrown his weight behind moves for a tax increase in Germany in 1995 to help pay for the accumulated costs of unification - but with a freeze on taxation for the next two years.

The plan, proposed in a motion to next week's annual conference of Mr Kohl's ruling Christian Democratic Union (CDU), is an attempt to reconcile the demands from the east for an urgent injection of funds, and strenuous resistance from the German business sector to any suggestion of an early tax rise.

By postponing any tax rise until 1995, Mr Kohl is making further drastic cuts in state spending in the west inevitable in the next two years.

It also means that he can keep his promise that there will be no tax increases in the life of his current government - which runs until elections in 1994.

At the same time, it is clear that by 1995, accumulated debts for unification from the Treuhand privatisation agency, and the German Unity Fund, will all fall on the central exchequer, with devastating effects for the budget deficit.

In spite of its political attractions, the call for a 1995 tax rise was immediately criticised by German industry. Mr Tyl Necker, the president of the BDI, the German federation of industry, said the government was putting the cart before the horse: the immediate requirement was for savings to be made.

The German government yesterday announced a deal on who will pay for the huge backlog of environmental damage caused by east German industries, thus removing an important stumbling block to new private investment.

The agreement means that the Treuhand privatisation agency will be responsible for 60 per cent of the cost of cleaning up the damage, and the six federal states in the east will pay for the remainder.

Paris defiant in eye of Gatt storm

David Buchan on why the country's farmers are holding up a deal

IN the eye of the storm over the latest breakdown in the Gatt negotiations, France yesterday seemed calmly defiant.

Under fire from Washington, and cross-fire from some of its EC partners, the French government stressed its desire for an eventual Gatt accord, but not one which "unfairly sacrificed" the interests of its farmers to those of their US competitors.

Both the government and the main farmers' union, FNSEA, claimed the US interruption of talks was electoral machismo, aimed at trying to keep President Bush in the White House.

Mr Michel Sapin, the finance minister, yesterday echoed the view which Mr Roland Dumas, the foreign minister, expressed earlier this week that serious bargaining could only resume after the November 3 presidential poll in the US.

A senior French official said the cause of the breakdown in Brussels this week had been obscure, an issue over which Germany, as the EC's largest producer of rapeseed, had more at stake than France. "This is not really a question of German solidarity with France, because the Germans have their own problems in this sector", he said.

"We have shown that we are

ready to take difficult decisions in circumstances where an agreement is balanced", the official said in reference to France's acquiescence in the reform of the common agricultural policy. "But in the case of Gatt, we are not there yet."

It seems most unlikely the ruling socialists, far behind the main opposition parties in the opinion polls, will want to take any more "difficult decisions" in the run-up to next March's elections.

It may seem odd that a socialist government should appear so beholden to the country's farmers who generally cast their votes to the right of the political spectrum. In one recent opinion poll, for instance, 79 per cent of farmers

said they would vote for Mr Jacques Chirac, the neo-Gaullist leader, in a presidential race, compared to only 21 per cent for Mr Michel Rocard, the likely socialist standard-bearer.

But French farmers' political clout is partly due to their sheer number. There are still at least 10 million working farmers - 6 per cent of the electorate - and the "farm vote" is swelled further by many retired farmers. According to FNSEA, the "monde rural", encompassing all those in France's small villages and towns whose livelihoods are linked to farmers' prosperity, amounts to 17 per cent of the 37m electorate.

On top of this is the political quirk that the rural (as distinct from the urban) population remains over-represented in the indirectly-elected French Senate, though, due to electoral boundary changes in 1986, this is no longer so in the directly-elected National Assembly.

The ruling socialists got a nasty reminder of the power of the farm lobby in the Meuse, Moselle and Marne constituencies in the 1988 election, in which farmers nearly tipped the balance by voting 63 to 37 per cent against the treaty.

It is significant that the lynch-pin of President Mitterrand's new strategy to attract middle-of-the-road voters was the appointment in September of Mr Jean-Pierre Soisson, a centrist, as his new agriculture minister. Any serious French

concessions in Gatt on agriculture would blow this strategy.

Few in France are willing to take on the farm lobby. France's big service companies would like a rapid Gatt deal to expand financial and telecommunications exports. But they only get a weak hearing inside the government. Their natural channel of influence would be the minister of industry, Mr Dominique Strauss-Kahn. But he is also responsible for foreign trade, and agricultural goods account for 16 per cent of total exports.

It is precisely because of this that France is most exercised, not to say angry, about US demands that the EC should cut not only the money it spends on subsidising exports, but the actual volume of these shipments by 24 per cent over six years. The particular gripe is that the reference period chosen by the US is 1986-88, when EC cereal exports averaged 23.3m tonnes a year.

Since then EC cereal exports have risen, by 1991-2, to nearly 28m tonnes, of which France accounted for 10.4m tonnes. Thus, the French complaint is the US is asking the EC in general, and France in particular, to take a far bigger cut than Washington pretends to realise.

Brussels' controversial proposals to prohibit transfers of data to countries such as Taiwan which offer little or no protection for personal data have also been watered down slightly.

The commission hopes the directive will be adopted by member states next year, and it could come into force from July 1, 1994.

Brussels acts to dispel fears over data processing

By Andrew Hill in Brussels

THE European Commission yesterday acted to dispel fears of draconian EC-wide restrictions on data processing with the publication of drastically revised measures to ease the cross-frontier flow of information.

Interest groups had raised vociferous objections to the

commission's first draft directive on data protection, which was published in 1990.

But the commission, which admits the first version was prepared in haste, has now rewritten the text to meet criticism that it would have hampered the private sector, while giving the public sector a free rein to process personal data.

The commission argues that

if national data protection laws are not harmonised, EC countries with high levels of protection - such as Britain and Germany - will be able to restrict data transmission to their EC partners.

Among specific changes in the complex text is a decision to apply broadly the same rules on personal data to public and private sector. Human

rights groups feared that under the earlier text governments would be able to do what they wanted with personal data.

The commission has also met direct marketers' demands for an "opt-out" clause, which will allow them to use personal data - for example, lists of addresses - unless data subjects have already expressed an objection.

Russian ministers warn of growing danger from 'fascism'

By John Lloyd in Moscow

RUSSIAN government ministers and their supporters yesterday warned of an imminent danger of "fascism" as the battle lines were drawn over more sharply between the majority of parliamentary deputies and the embattled reformers around Mr Boris Yeltsin, the Russian president.

Mr Pyotr Filippov, a leading government supporter warned of a growing danger from "the former communists who are tomorrow's fascists".

Mr Yegor Gaidar, the acting prime minister, himself departed from his usual restrained rhetoric when he said in an interview with the Italian daily Il Messaggero that "in general, there exists a real danger of fascism".

The past 10 days have shaken Russia's political world out of a state of restrained hostilities to the verge of

open war. The fragile power structure of the country is now in a ferment as the various forces battle for supremacy around the figure of President Yeltsin.

On the government side, a group of ministers, together with Mr Yeltsin's most senior adviser, opened the campaign by briefing foreign journalists last Friday on the dangers of a reactionary coup.

Mr Andrei Kozyrev, the foreign minister who took part in the initial briefing, refined the argument to a claim that the president himself was under direct threat.

Gen Alexander Rutskoi, the vice-president and leading figure in the centrist Civic Union coalition - a coalition which has become increasingly hostile to the government, while still pledging allegiance to the president, democracy and reform - called directly on Wednesday for the resignation of more than

six government ministers. On the same day, the Russian parliament rejected Mr Yeltsin's call for a four-month postponement of the Congress of People's Deputies - the full legislature, comprising 1,045 deputies, many of them ex-communists, who are mostly bitter opponents to the government and its reform plans. Gen Rutskoi endorsed the parliament's action.

In the midst of this, Mr Ruslan Khasbulatov, the parliamentary speaker, provided some light relief by being accused, on Wednesday, of being under the influence of drink or drugs by Ms Bela Denisenko, the deputy minister of health and herself a doctor.

Mr Khasbulatov had alleged at a hastily called press conference that his life was in danger and that he was under constant surveillance; his medical adviser later said he was suffering from overwork, too little

sleep and too much smoking, and had him hospitalised.

The incident had the political world buzzing with delight - but in itself an indication of the feverishly antagonistic state into which politics has fallen.

These events took place against a background of steadily worsening economic crisis. At a conference organised by the International Labour Organisation in Moscow this week Mr Fedor Prokopyov, head of the Federal Employment Service, said unemployment had shot up from 200,000 to 600,000 over the past month and would reach nearly 1m by the end of the year - this may grossly understate the reality.

Mr Prokopyov said that if the government does what it has said it will, and again tightens credit, unemployment would be above 2m within a few months, and climbing fast.

In seeking to keep at bay the spectre of unemployment, the government has simply given up monetary discipline and has made little attempt to restructure industry.

It is thus in danger of finding itself getting the worst of both worlds: it has not achieved a breakthrough in reform, but it has not placated the forces ranged against it.

Even if the president and a reform cabinet can bear this very hard pounding, it is now clear that radical reform, as conceived by Mr Gaidar's team and the world financial institutions, principally the International Monetary Fund, is in tatters and can hardly be revived.

Western governments, distracted as they all are by domestic pressures, will, when they again focus on Russia, be required to take account of a situation much grimmer than it was in midsummer, when the Group of Seven met Mr Yeltsin in Munich and

pledged continuing support. The IMF-approved plan for a rapid march to financial stability will not work: instead, aid will be required to achieve political stability.

It may already be too late for the limited purchase foreign countries can exert on the situation. Even moderate opinion is deeply sceptical of western good intentions: the "centrist" has shifted to a toughening nationalist position.

Mr Yeltsin, like Mr Mikhail Gorbachev before him (though he hates the parallel), is seeking to pursue reform by a mixture of stubbornness, political skill and compromise: he has cards left to play, but they mostly involve raising the ante to confrontation, rather than making deals which can play one force off against the other.

Winter is coming, and it will be the hardest the Russian president has yet had to face.

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NEWS: INTERNATIONAL

Younger LDP members talk of new political grouping

Factional row hits Japan's ruling party

By Robert Thomson in Tokyo

JAPAN'S ruling Liberal Democratic Party (LDP) was stricken yesterday by a dispute among its most powerful officials, prompting rumours within the party that new factions and even a new party could soon be formed.

The confusion follows the choice of Mr Keizo Obuchi to lead the party's largest faction - formerly run by the party's "godfather", Mr Shin Kanemaru, who resigned in disgrace last week after violating political funding laws.

Mr Kanemaru had chosen Mr Ichiro Ozawa, a former party secretary-general, as his successor but other senior officials of the faction opposed the appointment and selected Mr Obuchi. He took office before a consensus had been reached, an unusual move in Japan.

Fearing that Mr Ozawa could dominate the party if he controlled that faction, the heads of the four other factions supported Mr Obuchi, although he does not have majority support within his own group.

These factions are not based on ideology, but on personalities. The largest faction, the Takeshita faction, owes its name to former Prime Minister Noboru Takeshita, who was forced to resign in a separate scandal three years ago.

The deep rifts within the

Takeshita faction and among the other groups have prompted some younger LDP members to talk of new factions and parties.

The conflict, unlikely to be settled quickly, has crippled the party's policy-making activities, and prompted widespread criticism of the LDP's neglect of government business.

Mr Obuchi, 55, toured the offices of the faction heads yesterday, promising to "heal the wounds" opened in recent days and to reform the scandal-prone Japanese political system. Mr Ozawa's enthusiasm for deep political reforms intimidated the party elders, who are comfortable with the more modest ambitions of Mr Obuchi, a former chief cabinet secretary.

Meetings of senior faction officials are planned for this weekend. But it is unlikely the disputes will be resolved, prompting some Japanese commentators to call for the return of the disgraced Mr Kanemaru, who was capable of keeping order within the party.

Mr Kanemaru had played an important role in mustering support for details of the recent emergency economic package. The appointment of the politically weak Mr Obuchi suggests the party now has no one capable of performing that powerbroking role.

Growth in money supply to be flat

By Emiko Terazono in Tokyo

THE Bank of Japan yesterday projected flat money supply growth in coming months, but said there would be no further reduction of the official discount rate despite government calls for an interest rate easing.

In its quarterly economic outlook report, released yesterday, the bank said the previous monetary easing and the government's emergency economic package would help a gradual recovery.

Mr Kagehide Kaku, director of the central bank's research and statistics department, denied any moves to ease monetary policy.

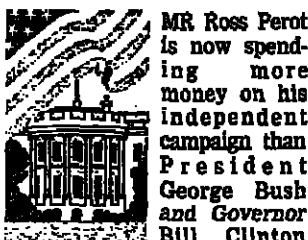
The 0.4 per cent drop in the September money supply figure, the first decline on record, which was released earlier this week has increased pressure on the Bank of Japan to cut the official discount rate.

Meanwhile, surveys by the Economic Planning Agency (EPA) have revealed that company and consumer confidence of an economic recovery remains weak.

The Business Survey Index - a survey of 4,565 companies, weighing up those expecting an economic upturn against companies predicting a downturn in the October-December period - stood at a negative 33.

Corporate capital investment plans for the current year to March have fallen by 3.2 per cent against the previous period. Manufacturing companies plan a 10.3 per cent cut, while non-manufacturing companies expect a 1.6 per cent increase.

Perot outspending both rival camps



MR Ross Perot is now spending more money on his independent campaign than President George Bush and Governor Bill Clinton combined, writes Jurek Martin in Washington.

The latest figures from the Federal Election Commission (FEC) show that, in the first two weeks of October, Mr Perot paid \$26m (£15.9m) from his own pocket, against the Bush campaign's outlay of \$12.3m and the Clinton camp's \$11.9m.

By law the two main party candidates, receiving about \$53m each in federal funding, may spend no more than \$65.5m. According to the FEC, Mr Bush was left with \$23.5m in the bank for the final three

PRESIDENT George Bush declared yesterday the US could "begin writing the last chapter of the Vietnam war", writes Jurek Martin.

Following a White House briefing by a US mission just returned from Hanoi, Mr Bush said he would immediately authorise "modest" humanitarian aid to Vietnam, mostly for flood relief. This is in return for documentation provided by Vietnam on the unknown fate of more

than 2,500 Americans held prisoner of war and missing in action.

Mr Bush said "we will begin reviewing what further steps we can take with Hanoi. We appreciate what's been done."

Senator John McCain, the Arizona Republican who was a former prisoner of war and part of the US delegation, said Vietnam was now "desperate for economic assistance".

weeks and Mr Clinton \$14.5m.

Since Mr Perot's effort is entirely self-financed he is subject to no limits, although he must report what he spends. Almost all his outlays are on a massive advertising campaign - \$23.6m in the first two weeks of October alone - and, if he maintains the current rate, he may exceed the permitted ceiling for the other two. So far he has spent \$49m on his own cause.

Mr Perot is avoiding conventional campaigning. Aides in Dallas keep holding out the

prospect that he will make personal appearances and hold rallies, but no schedule has been announced with only 11 days to go before election day.

Concentrating solely on paid-for advertising, apart from his "free" participation in the presidential debates, means he has to answer no questions from the media. Both the Bush and Clinton campaigns, worried by his upward movement in the polls, have been pressing the media to investigate Mr Perot's record, much as they had earlier in the summer.

CBS TV reported on Thursday night that it had found no evidence to substantiate one of Mr Perot's claims that a band of would-be assassins hired by the North Vietnamese had once penetrated his family compound in Dallas, only to be repelled by his guards. Otherwise he is still getting off lightly.

Vice-President Dan Quayle insisted on TV yesterday that the race was between Mr Bush and Mr Clinton and that Perot supporters should "think long and hard about whether they

really want to throw their vote away".

However, the latest NBC/Wall Street Journal poll shows the gap between Mr Clinton and Mr Bush to be twice as big as that between Mr Bush and Mr Perot. It gives Mr Clinton 47 per cent, Mr Bush 28 per cent and Mr Perot 19 per cent.

However, in electoral college terms - where 270 votes are needed for victory - Mr Perot is not yet a threat to carry a single state.

The latest compilation of state polls by Hotline, a political newsletter, has Mr Clinton ahead in 39 states with 421 college votes, Mr Bush in seven with 45, leaving five states, worth 72 votes, reckoned a tie. Only in Alaska, Nevada and Wyoming, amounting to 10 college votes, does Mr Perot score 20 per cent or more.

Foreigners given electoral drubbing

With the Soviet empire out of the way, candidates are picking on other targets, writes Jurek Martin

BY tradition, the US secretary of defence is supposed to stay out of election year politics, presumably to mind the nation's security while the president is out winning votes at factory gates, in farmyards and, increasingly these days, in the television studios.

Mr Dick Cheney, the Pentagon incumbent, has not broken with tradition; and only a cynic would suggest this detached role might suit him if the Republican suit went down as he might then stand a better chance of becoming its captain in 1996.

He did give a speech a few weeks ago in which he lamented the fact that foreign policy was not getting much of an airing in the campaign, but Mr Cheney must be truly disengaged if he believes this to be so.

To most people it is obvious that now there is no Soviet empire to kick around, the dread generic foreigner is the villain in the presidential drama.

President George Bush set out by proclaiming himself the "foreign policy president," which certainly sounded more plausible than his claims to be the "environment president" and the "education president." He had won a war, two if you

count Panama, while the country was not conspicuously greener or more learned.

But this was pretty much an open invitation for Governor Bill Clinton to complain, as did every other Democratic primary contender, that Mr Bush cared far more about foreigners than he did about Americans. This grew worse after Los Angeles erupted in flames and while Mr Bush was spending his time trying to persuade Congress to send money to Russia rather than to Watts.

When Mr James Baker was moved from the State Department to the White House, a subtle shift was discernible. Mr Clinton now charged that Mr Bush cared far more about his re-election than he did about foreigners, which was all wrong as anybody could see the world was going to hell in a hand basket.

But, of course, so was America. This had earlier prompted Mr Clinton to proclaim that foreigners, in the shape of international corporations, simply were not paying their full tax whack. If they did -

and he had a plan to make them - all sorts of wonderful things could be done for Americans.

Mr Bush also changed his tune. The flaw in Mr Clinton, he suddenly detected, was that he had fallen under evil foreign influences. There was his time at that cradle of European social engineering, Oxford University, which could hardly be seen as part of the great American tradition. After all, social engineers were only a step away from communist engineers and everybody could see what good they had done.

Nor was the president about hinting darkly that Mr Clinton might even have been doing the commie bidding, by going to Moscow and by demonstrating against the Vietnam war. Mr Clinton even wanted to do business with President Saddam Hussein of Iraq, the ultimate unacceptable foreign face, even though, naturally, he had his own good policy reasons for doing precisely the same thing.

But neither of the candidates come close to Mr Ross Perot. A believer in conspiracies and

cover-ups, the independent from Texas sees a foreign hand behind everything that is wrong with America. He packaged it all in last Monday's televised presidential debate.

The country, he declared, was being ruined by foreign lobbyists, many of whom were actually Americans working for the Bush and Clinton campaigns, and Mexicans would be "sucking" away even more American jobs courtesy of the NAFTA agreement. Indeed, in every dark pact he could think of the US government was "breaking our business's legs" and had been consistently out-negotiated by the wily foreigner, who ought not to be allowed to land his cars at America's docks if the rules were not changed.

It got worse. British Airways and KLM were conspiring to undermine that great American birthright, its airline industry. Pretty soon there would be no Boeing and McDonnell Douglas jets to fly around in any more, what with the subsidised Airbus and the Japanese plotting to get into

the commercial aviation business.

And then there was President Saddam, not to mention General Manuel Noriega.

Curiously, all three also like some foreigners. Mr Bush is always talking to Canadian Prime Minister Brian Mulroney, mostly about how awful it was that the Canadian flag was flown upside down at the baseball World Series game in Atlanta and sometimes about how to win elections from behind. He used to talk to British Prime Minister John Major about that, too.

He certainly thinks the Arabs and Taiwanese do not have enough weapons and is even willing to talk to the Vietnamese, although that might be because he is growing a little worried about China.

Mr Clinton does not seem to like the Chinese much either, but he got on famously once with Russian President Boris Yeltsin, is surrounded by Rhodes scholars, and has invited foreign corporations by the hundreds to set up business in Arkansas.

Even Mr Perot thinks Germans and Japanese are pretty good at "bitching", although that might not be so if they paid more, as he thinks they should, to defend themselves. And nobody likes the Serbs.

Emperor 'deplores' war atrocities in China

By Strain Holberton in Beijing

EMPEROR Akihito of Japan last night said he "deeply deplored" the suffering caused during the Japanese army's occupation of China, but fell short of issuing a formal apology.

At a state banquet in his honour in Beijing, however, Emperor Akihito went further in atoning for Japan's actions than his father Hirohito - the god-monarch who presided over Japan during the second world war and who usually expressed his "regret" about the past on such occasions.

"In the long history of the relationship between our two countries, there was an unfortunate period in which my country inflicted great suffering on the people of China," Emperor Akihito said. "I deeply deplore this. When the war came to an end the Japanese people, believing with a sense of deep reproach that such a war should never be repeated, resolved to tread the road of a peaceful nation."

Although the speech may satisfy the Chinese government - which is keen to encourage Japanese investment in China - it is moot whether it will satisfy public opinion.

The Chinese have been schooled, as a matter of government policy, in Japan's war atrocities in their country. As many as 10m Chinese citizens are estimated to have been killed during the occupation, which began with the Manchurian incident in 1931 and ended



Emperor Akihito (foreground) with Chinese President Yang Shangkun in Beijing yesterday

with Japan's defeat in the Pacific war in 1945.

Museums have been erected in many parts of the country to glorify the Communist party's resistance to the Japanese invasion and to emphasise the brutality of its occupation.

The Chinese government had

allowed some citizens to agitate against Japan in the run-up to Emperor Akihito's visit and has permitted publication of calls for Japan to pay \$180m (£110.4m) in war reparations, despite waiving the right to seek them when normalising relations 20 years ago.

Asean ministers agree free trade programme

By Jose Galang in Manila

ECONOMIC ministers of the Association of South-East Asian Nations (Asean) yesterday reached agreement on the main elements of a programme to turn the six-nation regional group into a free trade area by the year 2003.

The six - Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand - will implement a common effective preferential tariff (CEPT) scheme on January 1, which will reduce over the next 15 years tariff rates on a range of manufactured and processed agricultural products traded among themselves.

Tariff rates on these prod-

ucts are to be brought down to 20 per cent by the year 2003, and to 0-5 per cent by 2008, when the Asean free trade area (Afta) is formally created.

Asean's senior economic officials still need to thrash out "some minor technicalities" prior to the Afta launch in 70 days' time.

Afta is designed to stimulate more intra-regional trade and attract foreign investment to the area, as a way to counteract the rise of regional trading blocs in North America and Europe.

Asean economic ministers are to meet Mr Kozo Watanabe, Japan's trade minister, this weekend to discuss prospects for increased co-operation.

Beijing's Gatt hopes rise

CHINA's attempt to rejoin the General Agreement on Tariffs and Trade (GATT) took a step forward yesterday with the decision of a working party considering Chinese membership to start negotiations on entry terms.

The US and the European Community had wanted more information on China's present and future trade policy, but yesterday they agreed to seek this information in parallel with the membership negotiations.

Lebanese money-changers cash in on the 'last-hope premier'

By Lara Mariows in Beirut

THE appointment on Thursday night of Mr Rafik Hariri, the Lebanese-born Saudi billionaire, as the Lebanese premier was widely celebrated in Beirut and prompted an immediate 13 per cent rise in the value of the Lebanese pound, to L£1900 to the dollar.

So great was the optimism inspired by the appointment that banks and money-changers closed early yesterday when they ran out of notes to trade.

Many Lebanese see Mr Hariri, a self-made banking and construction tycoon, as the last hope for an economy plagued by 100 per cent inflation, 30 per cent unemployment and damage from the 1975-90 civil war estimated at more than \$20bn (£12.2bn).

Mr Hariri, 48 and a Sunni Moslem, wants to replace the traditional leaders who have dominated post-war cabinets with more qualified and dynamic technocrats. Unlike the majority of Lebanese politicians, he played no part in the war.

But he financed the 1989 peace conference in Taif, Saudi Arabia, which ended the conflict.

Aides say he contributes \$37m to Lebanese charities annually.

Since 1989 Mr Hariri has bankrolled the Lebanese presidency and the Council for Development and Reconstruction (CDR). The CDR has restored basic services to the capital and promoted a controversial \$2.65bn renovation plan for the ruins of downtown Beirut.

Mr Hariri has a personal fortune estimated at \$3bn and is listed by Forbes Magazine as one of the 100 richest men in the world. His Mediterranean investment Group holds 35 per cent of the new Banque Francaise de l'Orient, formed by this week's merger of the Indosuez group, Méditerranée, Al Saudi and Libano-Francaise banks. He has substantial real estate holdings in France and the US.

For Lebanese locked into a rigid social hierarchy, Mr Hariri's rise from a modest Sidon farming family to vast wealth and the country's premiership is nothing short of astounding.

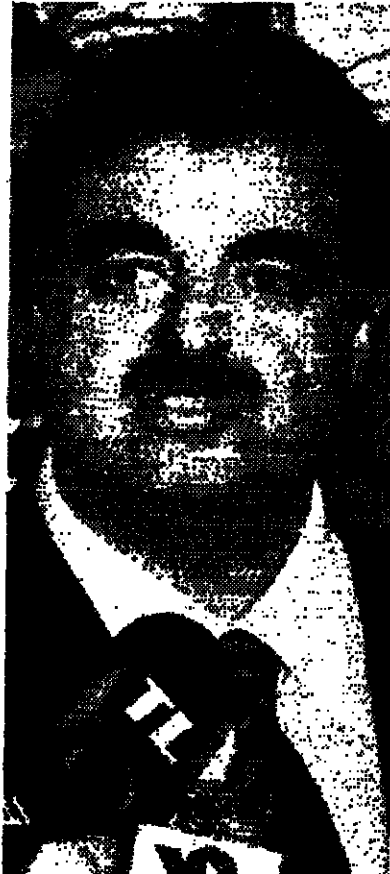
After studying business administration at Beirut's Arab University he emigrated to Saudi Arabia in 1965 where he worked first as a mathematics teacher, then as an accountant. In 1976 he won

the favour of the Saudi royal family by building the Taif Intercontinental Hotel in just six months, in time for the Islamic summit.

Mr Hariri was at that time a sub-contractor for the French company OGER, which he later purchased. He proceeded to build palaces, hospitals and conference centres throughout Saudi Arabia and recently completed a complex for President Hafez al-Assad of Syria.

The new premier maintains good relations with Damascus; his friendship with Vice-President Abdul-Halim Khaddam, responsible for Syrian policy in Lebanon, will prove useful in coming weeks as the government negotiates the withdrawal of Syrian troops to eastern Lebanon. Both King Fahd of Saudi Arabia and President Assad met Mr Hariri shortly before his appointment.

His association with the Saudi royal family may attract badly needed investment from the Gulf, but it could prove a source of friction with Iranian-backed Shia Moslem fundamentalists in Lebanon. Twelve Lebanese fundamentalist deputies were among the few parliamentarians who opposed his nomination.



Rafik Hariri: self-made tycoon

GREEK EXPORTS S.A. Second Announcement of a Public Sale by Auction

The joint-stock company named GREEK EXPORTS S.A., based in Athens (17 Panepistimiou Street) and lawfully represented, in its capacity as Liquidator, in accordance with Article 46a of Law 1892/1990, as supplemented by Article 14 of Law 2000/1991, and by virtue of decision no. 338/1992 of the Appeals Court of Piraeus,

hereby announces

A public auction, with sealed and binding bids, for the sale, in toto, of the assets of the joint-stock company named NEORION SHIPYARDS OF SYROS S.A., currently under special liquidation and based at 1, Neorion Street, Ermoupolis, Syros, hereinafter referred to as "the Company".

Company Activities and Brief Description
The Company is engaged primarily in the repair and conversion of ships and in a variety of industrial construction activities (railway carriages, wind generator bases, etc.). The Company's production installations are located on a self-owned site in Ermoupolis, Syros, of approximately 2.5 hectares in area and on a site of approximately 2.4 hectares, the use of which has been ceded to it by the State. Besides its installations, the Company also owns other sites and land totalling approximately 4.7 hectares in area. It also owns a 386 thousandths of a site, 305.80 sq.m. in area in Piraeus (67 Alai Mitsouli) on which a multi-storey building has been built, 1,592.71 sq. metres of this building belong to the Company.

The Shipyards has two floating docks. The first has a docking capacity of 75,000 dwt. and is equipped with 2 x 10-ton cranes. The second one has a docking capacity of 40,000 dwt. and is equipped with 1 x 10-ton x 15-ton cranes. Pier facilities can accommodate vessels up to 160,000 dwt. for repairs outside the floating dock. The piers are served by 4 travelling rail cranes with a lifting capacity of up to 40 tons. For ships disposal the Company owns the slope lighter "Laosado II". There is also a 220-ton floating crane. The shipyard has four tugboats and a small cargo vessel for transporting sand-blasting materials and large objects. The climatic conditions are suitable also for internal sandblasting with modern equipment.

Terms of the Auction

1. In order to comply with the auction procedure, interested parties should receive the Offering Memorandum from the Liquidator together with the draft Letter of Guarantee which they will need in order to submit a sealed and binding bid to the notary public appointed to the auction, Mrs. Eleni Asmari at 7 Mitropoli Antoniou Politu Street, Ermoupolis, Syros, Tel. (0281) 27201 by 1900 hours on Thursday 12th November 1992. Bids must be submitted by interested parties in person or by a legally authorised representative.

2. The bids will be opened in the presence of the above notary public and the Liquidator at 1000 hours on 13th November 1992. All those who have submitted bids may also attend.

Bids submitted after the above deadline will not be accepted and will not be taken into consideration.

3. The sealed and binding bids are to make express reference to the price offered for the purchase, as a whole, of the assets of the Company, and are to be accompanied by a letter of guarantee from a bank operating legally in Greece for a sum of three hundred million (300,000,000) drachmas or its equivalent in US dollars.

4. The assets of the Company and all the fixed and circulating constituent parts thereof, such as immovable property, movable property, claims, trademarks, titles, rights, etc., are to be sold and transferred "as is, where is" and, more specifically, in their actual and legal condition and in their locations on the date on which the contract of sale is signed, regardless of whether or not the Company's shipyard is operating.

5. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90, Article 46a, para. 1), as it continues in force), hereinafter referred to as "the Majority Creditors", shall bear no liability for any legal or material defects for any lack of capacity in the objects and rights sold, or for any incomplete or erroneous description of them in the Offering Memorandum or any relevant correspondence. In the event of inaccuracies, the entries in the Company's books, as these shall stand at the date of signing of the contract of sale, shall have precedence.

6. Prospective purchasers (hereinafter referred to as "Purchasers") shall be obliged, on their own responsibility and attention and with their own means and at their own expense, to inspect the objects being sold and obtain first-hand knowledge of them, and shall state in their bids that they are fully aware of the actual and legal condition of the assets sold. The Purchasers are hereby reminded that, in accordance with the provisions of Law 1892/90, Article 46a, para. 4, as it continues in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may request concerning the Company being sold.

7. Bids should not contain terms on which their terms as binding will depend on, or which create vagueness as to the level or manner of payment of the price bid or as to other material issues concerning the sale. The Liquidator and the Majority Creditors shall have the right, at their own incontestable discretion, to reject bids which contain terms and conditions, regardless of whether such bids are superior to others in terms of the price offered. It is hereby noted, indicatively, that terms requesting, for example, the repair, improvement or towing of fixed assets, guarantees of the collection of claims or of the outcome of litigation brought by the Company (such as the case of the "AVLIS" dock), or compliance with certain recommendations regarding the security of the installation for the safeguarding of insurance cover, etc., will not be accepted.

8. In the event that the party to whom the assets being sold are awarded fails to comply with his obligation to present himself within twenty (20) days of being called upon to do so by the Liquidator and sign the relevant contract, and to comply with the obligations which stem from the present announcement, the above sum of three hundred million (300,000,000) drachmas in guarantee will be forfeited to the Liquidator as compensation for all his expenses and work, of whatever nature, and all his positive damages and loss of profit. The Liquidator shall not be obliged to furnish any additional proof or to deem that the sum has been forfeited to him as a penalty clause and collect it from the guarantor bank.

9. The guarantee deposited for participation in the auction shall be returned to the other participants after the Majority Creditors have approved the Liquidator's report of evaluation, and to the highest bidder, to whom the contract of sale is awarded, after payment of the agreed auction price and the preparation of the instrument of full payment.

10. The highest bidder shall be the one whose bid is deemed by the Liquidator to best serve the interests of the creditors and is approved as such by the Majority Creditors.

11. The Liquidator shall have no responsibility or liability towards those who participate in the auction procedure, either for the composition of the evaluation report on the bids which he will submit to the creditors or for his proposal on the selection of the highest bidder. The Liquidator will not be responsible or liable to the participants in the auction procedure in the event of cancellation of the procedure if its outcome is not approved by the Majority Creditors.

12. Those who participate in the procedure and submit bids shall acquire no rights, claims or demands on the Liquidator for whatever cause or reason, by virtue of the present announcement and their participation in the procedure.

13. All expenses associated with the transfer of sold assets (tax, stamp duty, notary public's fee, mortgage registrar's fee, rights and other costs of preparing topographical diagrams by virtue of Law 651/77, etc.) shall be borne by the Purchaser.

Interested parties may address themselves for any further information to the following:

a) The head office of the Hellenic Industrial Development Bank, Directorate of Company Holdings, 57 Syngrou Ave., 2nd floor tel. nos. 929 4395, 929 4396 or
b) Greek Exports S.A., 17 Panepistimiou St., 1st floor tel. 324 3111-15

■ Bingham Report changes played down ■ Supervisory work to be aided ■ Details on fund movements sought

Councils hope for rebate over BCCI

By James Buxton

LOCAL authorities that lost money when BCCI collapsed still hope the government will agree to compensate them for at least part of their loss.

Thirty councils in Britain lost a total of £83m when the Bank of England closed BCCI in July 1991. The biggest loser was Western Isles Council in north-west Scotland, which lost £23m. The second-biggest was Bury Council, which lost £6m.

Mr David Pine, a solicitor with Eversheds Alexander Tatham of Manchester, which represents the councils and some public utilities affected by BCCI, said his clients took heart from the Bingham report's damning comments about the Bank of England.

Mr Pine, whose firm represented many investors who lost money in Barlow Clowes, said: "We're hoping that, as in the Barlow Clowes case, the government will recognise that there has been negligence and accept its obligation to pay creditors." In that case, investors received from the government 90 per cent of the money they had lost.

He said he hoped the government would make a compensation payment to the liquidators of BCCI that would be paid out in addition to compensation that may be forthcoming from Abu Dhabi.

On Thursday Mr Norman Lamont, the chancellor, rejected calls for extra compensation for those who had lost money in BCCI. He said the existing depositor protection

scheme had already paid out £50m to 8,000 people, each of whom received 75 per cent of their deposits.

Mr Rory Mair, chief executive of Ross & Cromarty Council and spokesman for all the affected councils, said the Treasury select committee had concluded in its report on BCCI last December that if the Bank of England were found to have failed to discharge its supervisory duties, the losses incurred would not be met by local authorities or their poll taxpayers.

"The Bingham report confirms that the Bank has indeed failed in its responsibilities," he said. The Treasury confirmed yesterday, though, that there was no question of special government compensation.

Doubt on insurance control proposal

By Richard Lapper

THE INSURANCE industry is playing down the importance of regulatory changes, proposed yesterday by Mr Norman Lamont, the chancellor, in the wake of the Bingham report.

Mr Lamont proposed that the auditors of insurance companies and building societies, as well as banks, should face a new statutory duty to report any suspected fraud directly to regulators.

The change, though, is unlikely to have much practical impact. Auditors have enjoyed the right to report any suspected fraud to the regulator, even if that breaches client confidentiality, since the 1986 Financial Services Act. Moreover, guidance notes for members produced by the English Institute of Chartered Accountants converts the right into a professional duty.

"Any accountant who ignored this advice would be foolish and would be likely to face disciplinary proceedings," said Mr Roger Hewel, chairman of the institute's insurance committee.

Mr Keith Loney, of the Association of British Insurers, the industry trade association, said the proposals would "be welcomed. We would not raise any objections."

Mr Loney said that in the past the proposals might have been opposed. But although insurers were still keen to protect client confidentiality, "thinking had moved on".

Liaison body will act as fraud probe clearer

By Richard Donkin

ONE OF the most important developments from the Bingham report is the creation of a new liaison body between supervisors and other bodies engaged in the detection of fraud.

Before the Chancellor's announcement, no formal group had existed among regulators for the exchange of information on potential frauds, although a number of ad hoc meetings have been held in the past to discuss specific investigations.

The new group has a core of statutory regulators - the Bank of England, the Securities and Investments Board and the Department of Trade and Industry. It will also include criminal investigators and will occasionally draw in prosecuting authorities. The Inland Revenue is excluded

from the group because of the strict confidentiality laws on tax matters.

The group's main aim is to oversee the exchange of information and to co-ordinate action between different bodies. One of the Bingham report's main criticisms was the lack of communication between organisations that allowed the fraud at the Bank of Credit and Commerce International to escape detection for years.

Mr Ian Watt, the KPMG Peat Marwick partner who is to head a new special investigations unit at the Bank of England, said he expected the group to involve regular liaison meetings, although its exact format or name has yet to be designated.

He said: "One of the things the investigation unit will be wanting to do is to create and maintain a close liaison with

the other agencies that have the task of regulating and eliminating fraud."

The Bank of England said it would provide the secretariat for the group, which will develop its own terms of reference and methods of operation. Mr Watt is likely to be the group's first chairman.

"The Treasury regard this as one of the most important things to come out of the Bingham inquiry and we rather share that view," the Bank of England said.

Mr Watt said he also expected to be involved in improving the collation of intelligence at the bank. Previously the bank has used a system called confidential inquiries, which provides the Bank's officers for liaising with police, Customs and Excise, and the Serious Fraud Office. That system will be included in the new unit.

£130m deal won by IBM group

A CONSORTIUM led by International Business Machines and including Siemens Plessey Radar and the Logica computing services company has won a £130m contract to equip the new air traffic control centre being built at Farnham, Hampshire, Alan Cane writes.

The £330m centre will manage traffic passing over England and Wales. It is expected to become operational in 1996.

The contract is part of a £750m capital programme being undertaken by the Civil Aviation Authority to improve and modernise Britain's air traffic control system.

The IBM team, which included EDS-Scicon and Frequentis, won the contract against a consortium led by Thomson-CSF of France. British consortia led by GEC and Dowty Command and Control Systems were eliminated late last year, fuelling worries over the ability of UK electronics groups to win large systems projects.

Businessmen 'lack confidence'

NEARLY 70 per cent of businessmen have no confidence in the government's ability to improve the economy, according to a survey by the UK 200 group of practising Chartered Accountants. About 56 per cent of those surveyed believe the economic position is worsening.

The three most important requirements of the people surveyed were lower base rates, improved confidence in the government and measures to stimulate the housing market.

The quarterly survey is based on a national sample of about 1,000 clients of the group's 160 member firms of chartered accountants.

Ex-directors are imprisoned

TWO former directors of Fox Milton, a London securities dealing firm, have been jailed for six months for cheating the Inland Revenue of £130,000, it was disclosed yesterday.

Mr Philip Ralsey, who was chairman, and Mr Stephen Wright, company secretary, sang gospel songs in their City of London dealing room when they were carrying out the fraud, an Old Bailey jury heard.

Judge Brian Capstick said a deterrent sentence was necessary in spite of the men's former good characters and religious beliefs. "This was a fraud on the innocent taxpaying public," he said. The two men had embarked on a "consistent plan" to cheat the Inland Revenue.

He ordered them to pay £30,000 each towards costs of the case after hearing that the police investigation and the three-month trial had led to costs of £645,248.

The pair were jailed on Tuesday but a reporting ban was imposed pending a possible appeal and further prosecution. The ban was lifted yesterday.

Mr Ralsey, of Chislehurst, Kent, and Mr Wright, of Sevenoaks, Kent, were convicted of conspiring to cheat the Queen and the public revenue.

Tram venture

A PRIVATE-sector consortium has joined London Transport and Croydon borough council in their plans to build a £140m tram link between Croydon and Wimbledon in south London.

Tarmac Construction of the UK, AEG Rail Systems of Germany and Transdev of France will do detailed work on the scheme in the hope that the government will help to finance it.

Scrutiny for transfers

By John Gapper

MOST international transfers of funds between banks will now have to carry details of who made the payment, in accordance with a recommendation of Lord Justice Bingham aimed at limiting the scope for bank fraud and money laundering.

Swift, the Brussels-based network that handles most electronic transfers of money between banks, has notified all banks that transfers will now have to specify at least the account number of the party making a payment.

The reform is intended to obstruct both deliberate fraud by banks and money laundering through a circuit of bank

accounts. It should enable regulators and auditors to trace suspicious payments back to their source.

Payments through Swift have until now had only to specify the account number into which a payment should be made. Now, the name and address of the payer will have to be included along with account number, where possible.

In the vast majority of cases, such details are already given to ensure a record is kept. However, BCCI was one case in which a fraudulent bank kept secret details of payments in order to make it more difficult to trace funds.

Banks customarily make such payments through corre-

spondent banks in the relevant country that handle such transactions on their behalf. Until now, such banks may have been told no more about a payment than from which bank it originated.

The Bank of England said yesterday that the Swift reform would tighten the regulation of money transfers. It has also written to the British banks using the Swift network, urging compliance with the new Swift requirements.

A proposal for greater details of payments was made by Price Waterhouse, BCCI's auditors. Mr John Hitchins, banking specialist partner, said the firm hoped the matter would be pursued by the Basle Committee of bank supervisors.

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Victims express anger

By Khozem Merchant

"The report is a sham. I am still suffering, my children suffer and my business is suffering... people from the Bank of England should have resigned," said BCCI depositor Mrs Kapoor after publication of the Bingham Report.

Mr Ameen Marfani of the BCCI creditors committee was similarly enraged. "The report proves the Bank was negligent. It has consistently misled us and I am astonished that no one from the Bank has resigned."

Mrs Kapoor, who runs a fashion boutique in Marble Arch, London and a restaurant nearby, says her BCCI savings,

"clear profit of £25,000 for a rainy day", would have helped cushion the impact of recession. As it is, she has had to dismiss her five staff, and work as a waitress in the evening. For the past year she has been working an 18-hour day. "The business is on its last legs," she says.

Amid this rising tide of woe there is a minority that is taking its losses in silence - the estimated 8,500 so-called BCCI "no-correspondence" UK account holders. These are the people who have refused to respond to the liquidators' letters inviting them to make a claim under the various depositor compensation schemes. "No correspondence" accounts are designed to con-

ceal the depositor's identity, ostensibly to evade paying domestic taxes or, in the case of those living outside the UK, to circumvent their home country's tough foreign exchange laws.

"Many of my clients are truly paranoid now. Some have come to England and declined to claim their money for fear of exposure," says a UK-based solicitor who is representing several "no-correspondence" account holders.

As for the BCCI staff, their prospects remain grim. Mr Quasir Malik, a helper at the BCCI campaign committee which is working on behalf of the former 1,200 UK staff, says only 30 per cent have found jobs, few in banking.



University College, St Thomas', St Bartholomew's, Guy's and Middlesex hospitals face changes under the Tomlinson report into health provision in London, which includes proposals to close Barts, and rationalisation for the other four

Health report calls for funds 870 years of medical history under threat

By Alan Pike, Social Affairs Correspondent

HEALTH services and medical research in London face serious damage unless their restructuring is properly funded, the inquiry into the capital's healthcare warned in its report yesterday.

It is essential, the report says, that adequate transitional funding is provided to ensure service changes take place in an orderly fashion. "The level of such funding will to a large extent dictate the pace of change. Change that is not managed and funded in this way is likely to be chaotic."

It was inevitable that reaction to Sir Bernard Tomlinson's report would focus initially on the hospitals that it has recommended should close. Anti-closure campaigns by threatened institutions, such as St Bartholomew's in the City, are under way.

Although Mrs Virginia Bottomley, health secretary,

emphasised yesterday that the report was "advice to government, not government policy", most of the campaigns will almost certainly fail.

The government accepts that there are too many hospital beds in central London, and ministers are expressing determination to tackle at last difficult decisions that have, periodically, been reviewed and shelved throughout the century.

This means that, when the first emotion over the proposed closures dies away, attention must turn to Sir Bernard's emphasis on the need for proper funding to support the changes.

The campaigns to save specific hospitals might give the impression that the Tomlinson report faces total opposition in the National Health Service. That is not so. Organisations such as the British Medical Association and the Royal College of Nursing agree with the Tomlinson committee's overall view that resources must be

shifted from hospitals to better family doctor and community services.

But supporters of Sir Bernard's basic approach were disappointed that his report did not propose more stringent arrangements for ensuring that money released from hospital closures is actually reinvested at community level.

"We are concerned about the lack of clear recommendations on how much government funding is needed and for how long," said Ms Christine Hancock, RCN general secretary.

London has more hospital beds per head of population than the rest of the country - 3.9 per 1,000 compared with an English average of 2.5.

Many of the London beds are in relatively expensive teaching hospitals which, since the introduction of the contract-based system of financing health care last year, have lost patients and run into increasing financial difficulties. But family doctor and community services are less

well developed than in the rest of the country.

The NHS is a substantial employer in London. It has about 73,000 staff, and health service unions claim that up to 20,000 jobs might be threatened by the Tomlinson proposals. There are almost twice as many consultants in the capital as elsewhere, up to 700 of whom may lose their jobs. The BMA is seeking an early meeting with the government to discuss a redeployment and early retirement programme.

Arrangements for medical education will change radically. Without waiting to make decisions on hospital closures, the government accepted the broad conclusion of the Tomlinson committee that most medical education should be concentrated on four London University colleges - Imperial, University, King's and Queen Mary and Westfield.

Report of the inquiry into London's health service, medical education and research. HMSO, £6.95

Bethan Hutton takes the temperature around Barts

THE Tomlinson report. Campaigners for Barts' survival argue that, in addition to specialist care, it provides a valuable outpatient and emergency service.

They say it serves a commuter population of more than 300,000 working within a two-mile radius of the hospital, as well as 200,000 residents of Islington and Hackney and 5,000 of the City of London.

Mr Charles Croot, chairman of the residents' association at the Barbican, which houses a substantial proportion of the City's population, said he believed there was tremendous affection for Barts at the Barbi-

can, and strong opposition to its closure.

"I am outraged by the mere possibility of closing down such a historic building," said Mr Croot. He said many people who, like himself, had been involved in raising money for new facilities at Barts would feel their work had been wasted.

"I really think that if the government decides to close down Barts, I am not voting for the Conservative party again, ever," he said.

The City of London Corporation, the local authority for the City, said yesterday it had received the Tomlinson report and would be considering its implications for City residents and businesses. The Lord Mayor and other corporation officials will be meeting Professor Michael Besser, Barts' chief executive, next week to discuss the report.

Narrowing of Ulster's religious divide seen

THE population balance between Roman Catholics and Protestants in Northern Ireland is far closer than popularly believed, according to census figures published yesterday.

The general perception had been of a two-to-one split in favour of the Protestants among the 1.5m population - but the census, taken in April 1991, shows a difference of only 4.4 per cent.

A total of 38.4 per cent recorded themselves as Roman Catholic and 42.8 per cent said they belonged to the Protestant church - 21.3 per cent Presbyterian, 17.7 per cent Church of Ireland and 3.8 per cent Meth-

odist. Other religious groups, including the Jewish, Chinese and Indian communities, represent 7.8 per cent of the total population.

A further 3.8 per cent recorded themselves as having no religion and 7.3 per cent did not respond to the voluntary question on the census form.

Experts believe the findings provide the most accurate snapshot of life in Northern Ireland for 20 years.

The 1981 census was distorted because many Roman Catholics did not fill in forms at a time of tension during the IRA Maze prison hunger strike. "The census shows there are now more pensioners."

N-plant reprocessing delay ordered

By David Lascelles and Chris Tighe

BRITISH Nuclear Fuels (BNFL) has been told by the UK pollution authority not to load uranium into its new reprocessing plant at Sellafield in Cumbria while public consultations on its authorisation are going on.

BNFL, which plans to commission its controversial new £1.85bn Thermal Oxide Reprocessing Plant (Thorp) next year, had asked Her Majesty's Inspectorate of Pollution if it could begin loading uranium on the basis of an existing authorisation. It argued that that would not increase discharges, since reprocessing is not due to start until next spring.

HMIP declined the request, saying it might prejudice consultation on the new draft authorisation, which is due to start shortly. The Nuclear Installations Inspectorate confirmed that HMIP asked it not to give consent to go to the active commissioning stage.

BNFL said yesterday that HMIP's position still left time for the eight-week consultation period to be completed by the end of this year, when BNFL hopes to begin the commissioning process.

The move was welcomed by environmentalists, but Sellafield unions launched a campaign against what they claim is a delay that might threaten several thousand jobs at the site.

The unions, who have the backing of Copeland Labour MP Mr Jack Cunningham, believe HMIP has been influenced by a "bluff" from anti-nuclear groups. "It appears to be all the result of the Greenpeace anti-nuclear brigade who've been conducting a rent-a-letter campaign," said Mr Alan Westonsage, chairman of the Sellafield shop stewards.

More than 2,000 contractors are employed on the Thorp site at present, said Mr Westonsage. "All these jobs are at risk."

The unions also fear that if delays drag on, permanent BNFL staff at Thorp may be affected.

Mr Cunningham, who met union leaders for talks at Sellafield yesterday, said afterwards

Tube drivers offered payment to accept deal

By Catherine Milton, Labour Staff

LONDON Underground has offered train drivers an extra £500 a year in an attempt to persuade staff to accept a radical shake-up of pay and conditions.

Both Aslef, the train drivers' union, and TSSA, the white-collar rail union, are to ballot members on the revised package, which takes the pay of instructor-drivers to £24,000 a year. The result is expected by November 23, the date by which London Underground says staff must sign the contracts.

The offer, made after four days of talks supervised by Acas, the conciliation service, includes concessions on earnings protections and travel allowance.

TSSA said it was extremely disappointed that London Underground had refused to delay the November 1 date for phasing in the package, as it would be unable to complete the ballot procedure by the end of next week.

The RMT rail union is also expected to ballot members. The union described the package as "unsatisfactory and unfair". The deal would mean 28 per cent of the 21,000 staff suffering a reduction in wages after two years.

Labour demands new deal for 1990s

By Philip Stephens,
Political Editor

THE Labour party dismissed as political expediency yesterday the shift this week in Mr John Major's economic strategy, demanding instead a detailed national recovery programme to deliver a "new deal for the 1990s".

In a policy speech designed to set out a more distinctive Labour position in the economic debate at Westminster, Mr Gordon Brown, the shadow chancellor, warned that lower interest rates alone would not in itself bring a lasting upturn.

Mr Brown said that, without a clear strategy to strengthen manufacturing and an employment policy designed to strengthen consumer confi-

dence, the government would lead Britain from a "recession crisis into a balance-of-payments crisis".

Challenging Mr Major to reveal whether the government now had any policy towards the stability of the pound, Mr Brown said that, for the recovery to be sustainable, management of the exchange rate must remain a central element of anti-inflation policy.

He said that a national recovery programme, which could not wait until the government made its Autumn Statement on November 12, should take as its starting point evidence that consumer and business confidence would not return until the fear of unemployment was reduced.

The government needed also to ensure that the recovery

was balanced and sustainable, threatening neither a sharp deterioration in the trade deficit nor an upsurge in inflation.

Mr Brown called for immediate action by Mr Major to:

- Establish an emergency employment programme to remove fear of the dole queue.
- Reduce interest rates.
- Consult all sections of industry to agree an industrial policy that would raise exports, reduce imports and build the long-term strength of the manufacturing base.
- Agree action with the building societies and local authorities to pull the housing market out of recession.
- Preserve government capital spending programmes and jointly finance, with the private sector, large-scale infrastructure projects.

Rover returns to five-day working

By Kevin Done,
Motor Industry Correspondent

ROVER, the UK carmaker, is returning car production to a five-day week at its assembly plant at Longbridge, Birmingham, after two months of short-time working.

The move is in contrast to actions taken this week by Ford, the leading UK vehicle maker, which plans to work only a 2½-day week for most of November at its plant in Dagenham, Essex.

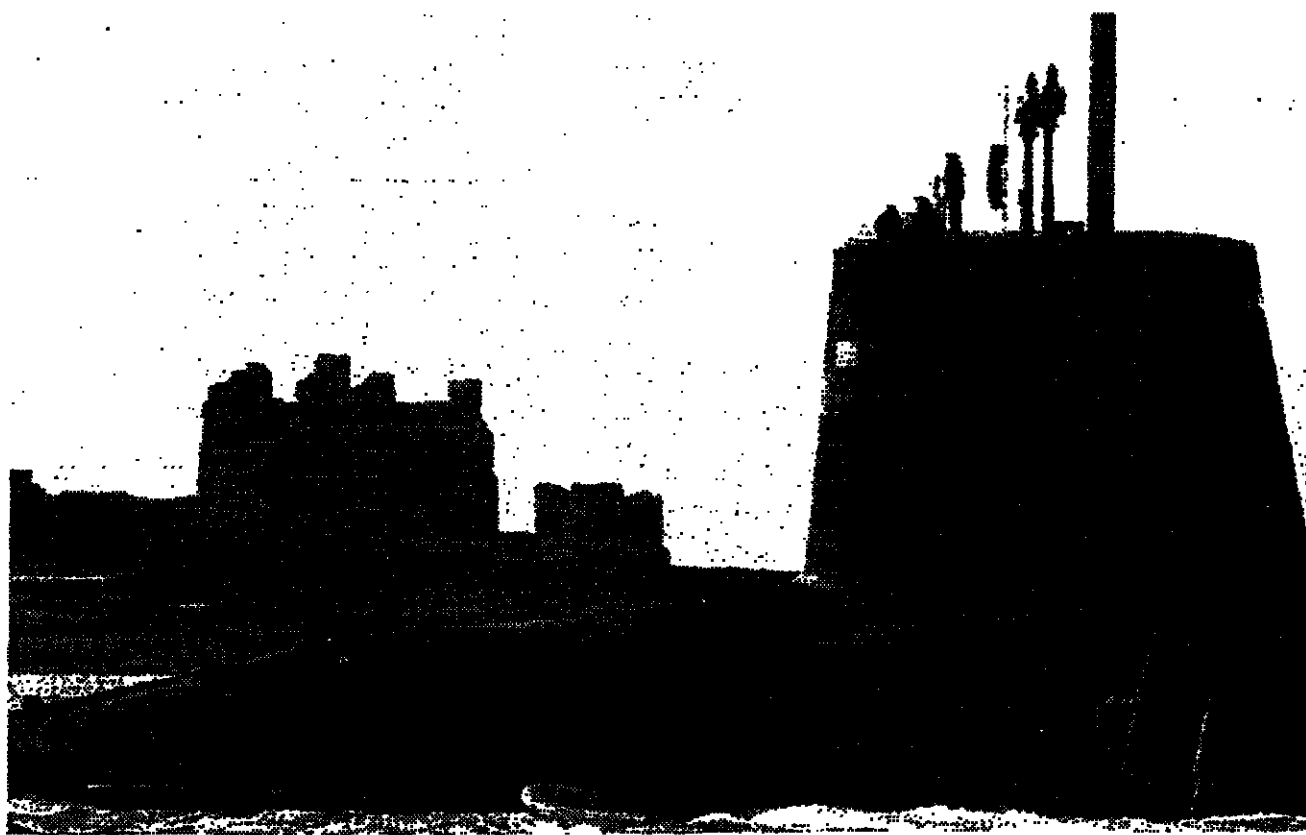
Rover said it would resume five-day working on its Rover 200/400 assembly line in the week beginning November 2 with output rising to 4,500 a week from 3,840 implemented in early September.

Rover is also resuming five-day working on its Metro and Mini assembly lines at Longbridge, which had been cut to only three-day working in mid August. Metro output will be raised to 1,500 a week from 1,560, while production of the Mini will rise from 300 to 500 a week.

Alvis Industries of Coventry, best known for its armoured vehicles, announced 230 redundancies yesterday - about 30 per cent of its workforce.

The company, which already cut 100 jobs a year ago, laid the main blame on reduced spare parts orders from the Ministry of Defence.

The company belonged to British Leyland until it was sold to United Scientific Holdings in 1981.



Britain's first Trident ballistic-missile submarine, the 16,000-tonne Vanguard, left the VSEL shipyard in Barrow-in-Furness yesterday for Faslane in Scotland to begin trials before being handed over to the navy next year. Three more boats are

on order. The Campaign for Nuclear Disarmament has called a demonstration in Glasgow today to mark the voyage.

Halifax urges intervention

By Scheherazade Daneshkhu

HALIFAX, Britain's largest building society, is calling on the government for direct intervention in the housing market to avert the need for "crisis measures" next year.

The level of housing activity is "abnormally low" and demand for houses needs to increase for there to be a housing recovery, Halifax says. The government, it says, should take measures to stimulate the housing sector including:

- Cutting interest rates to 6 per cent-7 per cent.
- Increasing mortgage interest tax relief for first-time buyers.

● Considering phasing out mortgage interest tax relief for better-targeted subsidies.

Otherwise, Halifax says, the number of repossessions are likely to increase, those with negative equity will remain in that position for several years, and any eventual recovery will be sluggish.

In its bulletin Viewpoint, Halifax compares the housing recession that began in 1988 with previous downturns in 1974-76 and 1979-82. It finds:

- Real house prices fell in all three cycles but nominal, or cash, prices have fallen for the first time in this depression.
- Real interest rates are still

positive, whereas real interest rates were negative in the previous two downturns.

● Regional house price gaps widened to historically high levels in 1988, followed by a sharp narrowing of regional price differences.

The most significant difference between the present cycle and past downturns is the drop in people's wealth, according to Halifax.

It says that the fall in nominal house prices, combined with positive interest rates and a fall in inflation, "forced up the real costs of borrowing for house purchases to levels not experienced before by home buyers in the UK".

Former BR chairman testifies in bribe trial

By John Mason

THE SCALE of the alleged bribery of British Rail staff by Plasser Railway Machinery GB, the track maintenance suppliers, came as a "considerable surprise" to Sir Peter Parker, former BR chairman, he told the Old Bailey yesterday.

He was giving evidence at the trial of Plasser and two of its executives, Mr Norbert Jurasek, managing director, and Mr Michael Brooks, company secretary, and Mr David Currie, BR's former head of civil engineering. All deny giving or receiving bribes in the form of air tickets and hospitality.

Sir Peter said that in 1983, BR received complaints from NEI, a competitor of Plasser, after NEI had lost a tender bid.

NEI complained that the relationship between Plasser and some BR staff was extremely close and possibly improper. BR investigated the claims, but found nothing improper had taken place, he said.

Sir Peter, chairman of BR from 1976 to 1983, agreed that corporate hospitality - including paying for entertainment and travel - was accepted commercial practice.

However, there was a world of difference between providing hospitality and trying to fix a contract, he said.

BR's guidelines on accepting gifts were well known by staff, as were the difficult and sensitive areas when gifts might be made when contracts were being fought for.

He had never had any incident over excessive entertaining drawn to his attention, he said.

The trial continues.

Secret selection of judges is 'farcical'

By Robert Rice,
Legal Correspondent

THE SYSTEM of appointing judges is "bizarre and farcical", Lord Williams QC, chairman of the Bar, said at the Law Society's annual conference in Birmingham.

The judiciary suffers from "pointless secrecy - the cause of this country - and over-defensiveness", he added.

Lord Williams explained that when barristers applied to be assistant recorders - the first step on the road to the High Court bench - a secret file was opened on them.

"You don't know what is in it," he said. "You don't know which of your dear friends have contributed. The cruellest error may be in it. You cannot

put it right. It is carefully kept under lock and key by a graduate from the Franz Kafka school of business management."

Lord Williams said he had recently suggested to the Lord Chancellor that anyone who was the subject of such a file should be allowed to ask for it to be reviewed by the Bar chairman.

"You will be amazed to hear the answer was no," he told the conference.

He also attacked the training of judges as "lamentably scanty". A High Court judge received no training after appointment and circuit judges got a week-long seminar once every five years. This was "quite simply not good enough", he said.

Lloyd's syndicate is criticised after loss

By Richard Lapper

POOR underwriting was to blame for insurance losses at Cuthbert Heath syndicate 1084 in the opinion of a Lloyd's loss review report made available to Names yesterday.

Its losses of \$4.4m are small compared with those sustained by larger syndicates such as those managed by Feltrim and Gooda Walker agencies, but they have been a heavy burden for syndicate 1084's Names, the individuals whose assets back underwriting at Lloyd's.

Almost 200 Names who supported the syndicate in 1988 face average losses of more than £20,000 each.

Overall, the loss was equal to 142 per cent of its capacity, or capital base.

The loss review report is the fourth of a series of loss reviews prepared by Lloyd's in the wake of the market's losses in 1988, 1989 and 1990.

The report says syndicate 1084's underwriter bought insufficient reinsurance protection and failed to keep proper records or track his exposure to potential losses. As a result, the syndicate was swamped by claims from the Piper Alpha oil platform explosion in July 1988.

The use of a financial reinsurance policy bought by the syndicate at the end of 1988 is questioned in the report. It says the policy may have worked to the disadvantage of Names who joined the syndicate in 1989 and afterwards.

Met commissioner named

By Alan Pike,
Social Affairs Correspondent

MR Paul Condon was named yesterday as the new Metropolitan Police commissioner and pledged to "improve the quality of life in the capital as far as policing impacts on it".

Now chief constable of Kent, Mr Condon will be, at 45, one of the youngest ever commissioners on taking over from Sir Peter Imbert in January.

He said that, in addition to improving the quality of life in London, his other priorities would be to improve the security of people living and working in the capital and to encourage respect for the rule of law. "So that means heavy emphasis on the ethical standards of policing in London."

The Metropolitan commissioner is the most high-profile post in British policing. Ministers will be hoping that Mr Condon will improve the



Paul Condon: takes charge of London's police in January

national image of a service that has been damaged by repeated scandals over miscarriages of justice.

Mr Condon, who joined the police in 1967, was selected for

accelerated promotion three years later and attended St Peter's College, Oxford, between 1972-75, gaining bachelor's and master's degrees in jurisprudence.

He served in the Metropolitan force before joining Kent as assistant chief constable, formulating plans for policing the Channel tunnel. He went back to the Met, returning to Kent as chief constable in 1988. He has been credited with improving managerial efficiency in the Kent force, and showing the emphasis on ethical standards that he plans to make a priority in London.

Mr Kenneth Clarke, home secretary, said Sir Peter had focused attention on the need to provide a high standard of service and maintain trust between the police and community. He believed Mr Condon would prove "a forceful successor to a very distinguished commissioner".

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Saturday October 24 1992

Mr Major's growing pains

A STRATEGY for growth is what we need; a strategy for growth is what we are going to have. Thus did Mr John Major announce what looks like the most significant of the many U-turns made by his government since September 16, the day the pound and the government were found wanting.

The prime minister wants an "early, strong but sustainable" recovery, with particular emphasis on the "early". He is in exalted company. The leader of every leading country wants the same thing and Mr George Bush seems doomed to pay the ultimate price for his failure to achieve it. Will Mr Major be any more successful? Unhappily for him, recovery is likely to be slow in coming and be weak when it does.

Many have recommended an independent Bank of England as part of the solution to the government's lack of long-term counter-inflationary credibility. Unfortunately, Lord Justice Bingham's devastating report on the Bank of England's supervision of the Bank of Credit and Commerce International has taken a bit of the gilt off this gingerbread.

What are the remaining options? Many recommend still lower short-term rates of interest. But there is more of a conflict over fiscal policy. Some recommend further fiscal expansion, ignoring the fact that the public sector borrowing requirement is already some 5 to 6 per cent of gross domestic product. Others argue for fiscal consolidation, instead. Few will be surprised to find the Treasury in the latter camp. But the Treasury may be out of touch with the government's policies. Mr Kenneth Clarke, the home secretary, said policy was "to go for growth and recovery out of this recession", while Mr Lamont denied that there is any U-turn.

Next week's Mansion House speech by the chancellor and the following week's Autumn Statement on public spending should reveal more. They need to do so. Sterling's exit from the ERM and the *under the wire* closure of the 31 coal pits have, taken together, made the government look decidedly silly. It must re-establish its authority once again.

Another downturn

Its own disarray is not the government's sole problem. At home, the recession may be entering another downturn. Abroad, the economies of continental Europe and Japan are slowing down rapidly, while the US is still struggling to mount a real recovery. Yet the plight of the global economy must not be exaggerated. This is not the Great Depression. The UK economy was the only one in the group of seven leading industrial countries to shrink over

the latest 12 months, although it was joined by Germany in the last quarter.

It is little wonder that Mr Major's government is so unpopular. It is not likely to become less so very soon. This week's quarterly survey from the British Chambers of Commerce argues that the UK fell into the "second leg" of the recession in the third quarter, with confidence falling to levels last seen in the winter of 1990-91. The volume of imports (excluding the erratic items) continued to grow faster than that of exports between the second and third quarters. Sterling's devaluation - now 11 per cent on the nominal effective exchange rate, since Black Wednesday - will help, but its effects will not only be long delayed, but be offset by the gathering slow-down in continental Europe.

Rate cut

Lower interest rates should also assist the recovery, mainly because they would help financial intermediaries and borrowers to rebuild balance sheets. An annex to the latest World Economic Outlook from the IMF shows that the ratio of total private non-financial sector debt to gross domestic product in the UK more than doubled between 1980 and 1991. The task ahead is immense. Lower interest rates are not likely to encourage much borrowing, as both the US and Japan have discovered. One reason is the level of long-term interest rates. At around 9 per cent, these reflect both the high real rate of interest and the persistence of inflationary expectations. It was those expectations that encouraged the huge borrowings of the 1980s. The self-same expectations are keeping long-term rates of interest up during the recession. Given these worries, the stimulatory effects of further increases in fiscal deficits are at least uncertain.

The problems are not unique to the UK, though they are particularly severe there. What is also not unique is concern about the international economy. Beggar-my-neighbour policies are coming back into fashion. The worst example is not the recent changes in exchange rates, which can be justified, but trade, where a complete collapse of the Uruguay Round of multilateral trade negotiations now seems likely.

Debt and inflationary expectations at home, deflation and protectionism abroad all threaten Mr Major's "early" recovery. Recovery will take time. It will also need the preservation of a stable and open international economy. Even if Mr Major adopts the right policy, he will remain at the mercy of events.

Financial markets aren't just a collection of paddy young men in red braces shouting down the telephone. They are also a giant, decentralised information processing system, which reflects and amplifies events in the real world - government decisions, technical innovations, social trends - and enforces a ruthless sort of logical consistency between them.

So what are the markets saying now about the events of the past few weeks? How has the information-processing mechanism reacted, now that some, at least, of the data on which it operates have utterly changed?

One way of looking at the markets is the yield curve, which shows what happens to interest rates as you lend money for longer and longer periods. Intuitively, you would think that a longer-term loan would command a higher interest rate than a short-term one. That sort of upward-sloping yield curve is what we've got now.

But it wasn't what we had before Britain left the ERM. Short-term rates, which are set by the government, were very high to keep foot-loose funds in sterling; long-term rates, which are set by investors, were lower - though still high in real terms.

Now, the shape of the curve has completely changed. Short-term rates have fallen; long-term rates have risen slightly to reflect the higher risk of inflation now that Britain is no longer anchored to the D-Mark. The main chart shows the periods in the recent past when the UK had an upward-sloping yield curve. There are two: the early 1980s, and 18 months in 1987-88.

In principle, a downward-sloping yield curve chokes off longer-term investment (both in factories and in longer-term securities) because it makes it more attractive to keep your money in cash in a building society than in anything else. An upward-sloping yield curve may - if the slope is steep enough - produce a stampede out of cash and into shares, long-term bonds and anything else which promises a significant return.

That factor has underpinned the US stock market for most of the past year, at levels that look pricey by historical standards. It may start to have a similar effect in the UK, too - though Mr Sushil Wadhvani of Goldman Sachs says that the impact of an upward-sloping yield curve is less pronounced in Britain, because it has a different investment communities.

None the less, since the devaluation and the interest rate cuts, the stock market has risen sharply, with a particularly big jump this week as it digested John Major's commitment to growth. The analysts have a tool for pricing what the level of share prices is saying about expectations for growth. It is an equation which attempts to establish the way dividends on shares relate to the interest payment the government makes on the gilt-edged securities that make up the national debt.

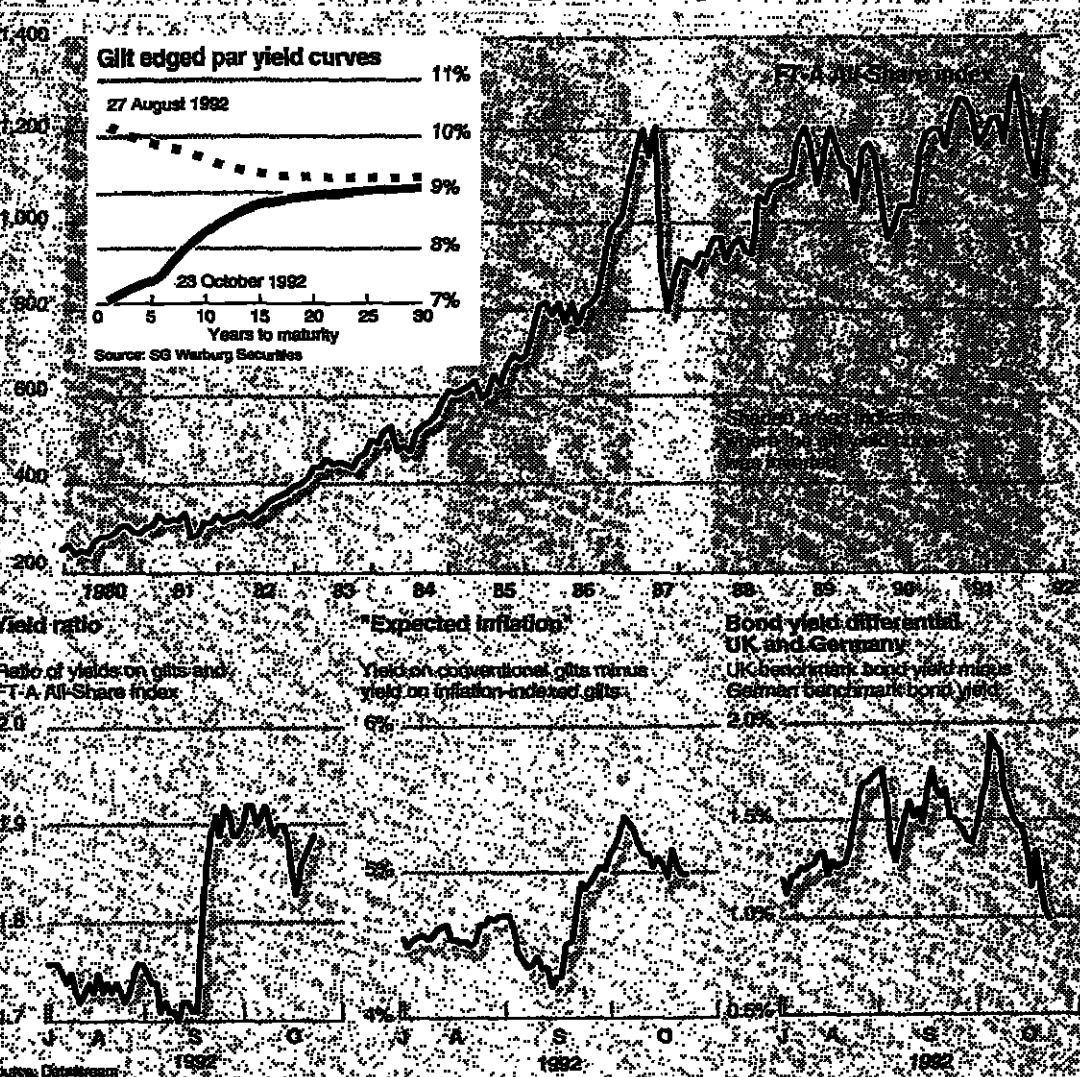
Gilts pay a fixed rate of interest; equities pay dividends which are expected to grow over time. If you divide the dividend you get on each share by the price you have to pay to buy it, you get a figure known as the dividend yield. Similarly, if you divide the annual interest payments on a gilt-edged security by the current price of that security, you get the yield on gilts.

Dividends, unlike interest on gilts, go up and down; and companies can go bankrupt. So a rational investor, in choosing between gilts

A message from the markets

Yield curve and stock price movements suggest the economy is returning to its pre-ERM pattern, says Peter Martin

Equity market reactions to changes in the yield curve



and equities would take into account not merely the yields on the two sorts of paper, but also how dividends would be likely to rise in future and what the risk is of dividends shrinking or disappearing altogether.

That is spelt out in the analysts' formula: the yield on gilts is equal to the dividend yield on equities plus the expected growth rate in those dividends minus the risk premium required to hold equities rather than gilts.

We know what some of those elements are immediately, just by looking at the statistics pages of the FT. The yield on medium-term gilts is just under 9 per cent. The dividend yield on the FT-Actuaries All-Share index is just over 4 per cent. That leaves two gaps: the expected growth rate of dividends and the equity risk premium. The second of these is something that analysts spend hours trying to establish, by looking back over long periods of history. The consensus is that it varies between about 1 per cent and about six per cent. In the

short term, it goes up and down like a yo-yo, depending on the collective mood of investors. Let's assume, though, that it's currently close to its 3 per cent average.

Plug these numbers into our formula, and we get something like this:

$9 = 4\% + \text{the expected growth rate of dividends} - 3\%$

That enables us to calculate the trend

The markets are expecting an economy that grows at a long-term rate of about 2½ per cent

growth in dividends the market is expecting: 7½ per cent per year.

So what? Well, the growth in dividends is itself composed of two different things: real growth and inflation. The existence of index-linked gilts allows us to calculate the level of inflation the market is expecting.

If you regard the yield on index-linked gilts as the real rate of interest, then you can subtract that from the yield on conventional gilts to get the expected inflation rate. As the chart shows, this has picked up a bit since devaluation, and is now just over 5 per cent.

Subtract that from the 7½ per cent figure, and you get an implicit expectation of a real growth in dividends of 2½ per cent a year.

That may sound a figure of interest only to coupon-clippers, but in fact it's the best indicator of what the market thinks about the long-term economic outlook. Dividend growth is closely linked, over the long-term, with the real growth of the economy.

So that's what the markets are expecting: an economy that grows at a long-term rate of around 2½ per cent, with inflation of 5 per cent a year.

That sounds plausible enough, and reasonably familiar: it's how the UK has looked for most of the post-war period. But looking more closely at the way those numbers

work is not quite so cosy.

Take, for example, a possible set of assumptions suggested by Mr Robin Aspinall, of the stockbrokers Panmure Gordon. Suppose that the UK is entering a slow-growth world, in which we cannot expect real dividend growth to be as high as 2½ per cent. In any case, British companies have been arguably paying out too much in dividends, by historical and international standards, and need a period of holding them down to get their balance sheets back to normal.

And in a slow-growth world, the 5 per cent inflation expectation may also prove too high. Suppose that demand is so depressed worldwide that even an inflationary economy like the UK is unable to generate more than 3 per cent inflation over the medium term.

Putting those assumptions into the equation leads you - if gilts are still yielding 9 per cent - to a dividend yield of 7 per cent. Arithmetically, that implies a stock market 40 per cent lower than it is today. But of course, in that sort of environment, gilt yields would not stay at 9 per cent; assume they drop to perhaps 7 per cent. That would give you a 5 per cent dividend yield again, but it would make stocks much less attractive than gilts as a place to put your money.

That's the pessimistic case. You can use the same sort of numbers to draw much more optimistic conclusions, however. Suppose that gilt yields come down anyway, as the markets adjust to the reduced risk of inflation, and borrowers at the long end switch to cheaper, short-term money, reducing demand and pushing long-term yields lower.

If gilt yields drop to, say, 8 per cent, and all the other elements in the equation stay the same, then dividend yields will drop to 4 per cent - which implies a 20 per cent rise in the stock market.

Much hangs on gilt yields, in other words. What happens to them? One influence will be the behaviour of short-term rates. The current state of the interest-rate futures market suggests that investors are expecting shorter-term interest rates to be around 6 per cent within three to six months. US experience, as Mr Wadhvani says, suggests that a drop in short-term rates eventually tugs the whole yield curve down; if that happens here, gilt yields will eventually move down in sympathy with the short end of the market.

On the other hand, says Mr Paul Walton of James Capel, there are two worrying upward pressures on gilt yields. One is the government's need to borrow; the second is the historic relationship with German bond yields. The last time the pound was floating and there was a public-sector deficit, in the early to mid-1980s, the spread between the two rates was close to 4 percentage points. Today, it is just over 1 percentage point, the sort of level that prevailed when Britain was firmly locked into the ERM. If the spread rises back towards past levels, with German bond yields unlikely to drop below 6 per cent, then it is hard to see gilt yields falling much. Which makes it more important that companies deliver the 2½ per cent real dividend growth implied by today's numbers. Will they be able to?

Perhaps the most striking conclusion to draw from this exercise is that the market seems to be expecting the world to go back to the way it was before Britain joined the ERM and Germany was reunified. That's a perfectly plausible future, of course: it's just that it may not be the right one.

BACKBENCHERS IN THE NEWS: 1922 Committee

Down-to-earth Tory voices

If an extra-terrestrial were to land on your lawn this weekend and say, as ERTs always do, "Take me to your leader," you would not, I am sure, make the mistake of directing it to Number 10 Downing Street. FT readers are too astute for that. Any one of them would point the way to Sir Marcus Fox, chairman of the 1922 committee of Conservative backbenchers.

This would pay off. A visitor from another world would feel instantly at home in the "22, especially one accustomed to time-travel. Is Dame Jill Knight of this decade? Is the bewhiskered Sir Rhodes Boyson of this century? The committee's origins, too, are disputed. The conventional account is that disgruntled Tory allies met at the Carlton Club 70 years ago, to hear Stanley Baldwin rally them in opposition to the coalition led by Lloyd George. The latter was quickly disposed of. Another view, rehearsed in a letter to the Daily Telegraph yesterday, is that the 111 new Tory MPs elected in November 1922 came together in April 1923 to overcome their handicap of parliamentary inexperience.

What is clear today is that the committee now exercises more power over the government than the prime minister can have bargained for when he won the election with what at the time seemed like a good working majority of 21. It was Sir Marcus who, with a word, intimidated that Mr David Mellor had to go; Sir Marcus who, with a phrase, intimidated that after Black Wednesday the government had better pull its socks up; and Sir Marcus who pronounced (backed up by his some of his fellow committee-members) that the original plan to close 31 coal-mines was "unacceptable".

Only 11 backbenchers need to vote against a government motion

to defeat it. When the Tories are in opposition every one of their MPs belongs to the committee. When, as is usually the case, the Tories are in administration, the 1922 is made up of the party's backbenchers. They elect an executive of 18. In May cunning manoeuvres by the Conservative right placed many of their own on this executive. These range from Sir George Gardiner, the veteran Thatcherite and leader of the 92 group of right-wing MPs, and Sir Peter Hordern, a long-standing monetarist, to the more populist Sir Rhodes and Dame Jill. Many of the 61 first-time Tory MPs among the conservatives are natural Thatcherites; they regard the "22 as one weapon in their war of attrition against ministers who, as they see it, are betraying the former prime minister. The over-representation of the right on the executive derives in part from its feeling of being under-represented in the cabinet.

In the current febrile atmosphere of Conservative politics this can be taken to great lengths. Backbenchers opposed to the bill to ratify the Maastricht treaty turned up in force at Thursday night's meeting, outnumbering middle-of-the-roads who rarely attend. The result was reports yesterday suggesting that Sir Marcus and his troops wanted to postpone further consideration of the bill. Talk of delay suggests no real wish to unseat the party leader. Loyalty is still a powerful element in Tory thinking.

What has also changed is the way in which the 1922 executive reflects opinion. Sir Marcus was elected in May on the platform of raising the committee's profile and speaking out on behalf of ordinary MPs. Sir Cranley Onslow, the chairman since 1984, found that his tactfulness and loyalty to the leadership were not



popular enough. The chairman traditionally has direct access to both the prime minister and the chief whip, to whom he regularly reports on the mood of the troops.

Sir Marcus's open and television approach has created tensions within the executive. The arrival of sound-bite politics in the traditionally discreet area of internal party management has not gone down well in all quarters. Some of the "22 more traditional members complain that their chairman has taken to leading backbench opinion instead of reflecting it. One commented that it was not necessarily only the government which got out of touch during the long summer recess.

The average age of the executive is just over 60, higher than that of the government. Twelve are knights, and one is a Dame. None of the 18 has been in the cabinet, though half of them have formerly been ministers, and four have been whips. Others have worked their way up through the Byzantine

structure of parliamentary committees. Many of them have experienced life in opposition. They recall vividly the devices to which a party with a small majority can be driven. Sir Marcus and his two vice-chairmen have between them 70 years in the Commons. It has been time spent chatting to colleagues rather than sweeping into Westminster in a ministerial car.

But not even Sir Marcus is unassailable. Four years away from the next election, the committee's ability to warn the government publicly that policies need changing is working well enough in terms of keeping the party together if not in contributing to Mr Major's cheerfulness. By 1996-97, it will have to show that it knows how to be publicly loyal as well, perhaps even to unpopular policies which are too late to alter. To fulfil that role the junta that took power in May will have to come down to earth.

Alison Smith

INVITATION TO TENDER FOR THE HIGHEST BID

for the Purchase of the Assets of "TEMEA TECHNICAL S.A. STUDIES, CONSTRUCTIONS AND INSTALLATIONS", of Pireas, Greece.

"ETHNIKI KEPHALAIOU S.A. Administration of Assets and Liabilities" of 1, Skoufion Street, Athens, Greece, in its capacity as Liquidator of "TEMEA TECHNICAL S.A. STUDIES, CONSTRUCTIONS AND INSTALLATIONS", a company having its registered office in Pireas, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990,

invites tenders

for the highest bid by submission of sealed binding offers for the purchase by public auction (the "Auction") of the assets of the Company, as a single whole.

BRIEF INFORMATION: The Company was founded in 1961 and until 1990 (when it was first declared under liquidation in accordance with Law 2190/1920) was engaged in the manufacturing and trade of machinery, elevator mills and mechanical constructions and with the study and surveillance of mechanical and electrical works. The Company's operations ceased in 1991 and no personnel is currently employed. Assets include one plant in Pireas built on a 863m² plot with mechanical equipment, vehicles, furniture etc.

OFFERING MEMORANDUM - FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

- The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of each provision and other terms and conditions.
- Bidding Offers: For the participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 23rd November 1992, 12.00 hours, to the Piraeus Notary Public, Mrs Charikleia Amarat, address: 53, Pireas Str., Pireas 185-35, tel: +30-1-412.68.73. Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
- Letters of Guarantee: Binding offers must be accompanied by letters of guarantee, for an amount of five million (5,000,000), issued, in accordance with the draft form of letter of guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to be valid until the adjudication. Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 herein, the letters of guarantee shall be forfeited as a penalty.
- Submissions: Binding offers together with the letters of guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorized agent.
- Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 23rd November 1992, at 13.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
- As highest bidder shall be considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the Liquidator, to be in the best interests of all of the creditors of the Company.
- The Liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
- All costs and expenses of any nature in respect of the participation and transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
- The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. The Liquidator and the Notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.
- This invitation has been drafted in Greek and translated in English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the Liquidator of the Company: "ETHNIKI KEPHALAIOU S.A. Administration of Assets and Liabilities", address: 1, Skoufion Street, 105 61 Athens, Greece, Tel: +30-1-323.14.84, fax: +30-1-321.79.05 (att: Mr. Peter P. Dracopoulos) or the Liquidator's agent: Mr. John Pitsios, address: 19-21, Arachova Str., Athens 106 80, tel: +30-1-360.13.24 (from 10.00 to 12.00)

Bank regulation is the art of shutting stable doors after the horse has bolted.

This aphorism was used yesterday by Sir George Blunden, the former deputy governor of the Bank of England. What he meant was that new laws and supervisory practices are always introduced after a banking scandal has taken place, never in time to prevent a scandal.

Thus on Thursday the Bank of England and the Treasury announced amendments to the 1987 Banking Act and the creation of specialist legal and investigative units at the Bank to prevent the repetition of a fraud similar to that uncovered at the Bank of Credit and Commerce International, the international bank which was closed in July 1991.

The likelihood of there being another BCCI-style fraud is small, however. The breathtaking magnitude of BCCI's corruption was only possible because the bank operated in a vast number of different countries, each of whose regulators only had responsibility for monitoring a tiny piece in the BCCI jigsaw.

Over the past few years, bank regulators have begun to act in concert in monitoring international banks - and this co-ordinated approach to supervision has been reinforced recently by a new agreement between regulators

of the leading industrial countries who are members of the Basel Committee on Banking Supervision.

But there is always another banking disaster waiting around the corner, one that the regulators never dreamed could happen and therefore could take no precautions against. Regulation only comes after unforeseen events.

The Bank of England only adopted its regulatory role after the secondary banking crisis of 1973, when a raft of new financial institutions borrowed from the big clearing banks and then used the funds to make property loans. When the property market collapsed, the financial system itself was threatened.

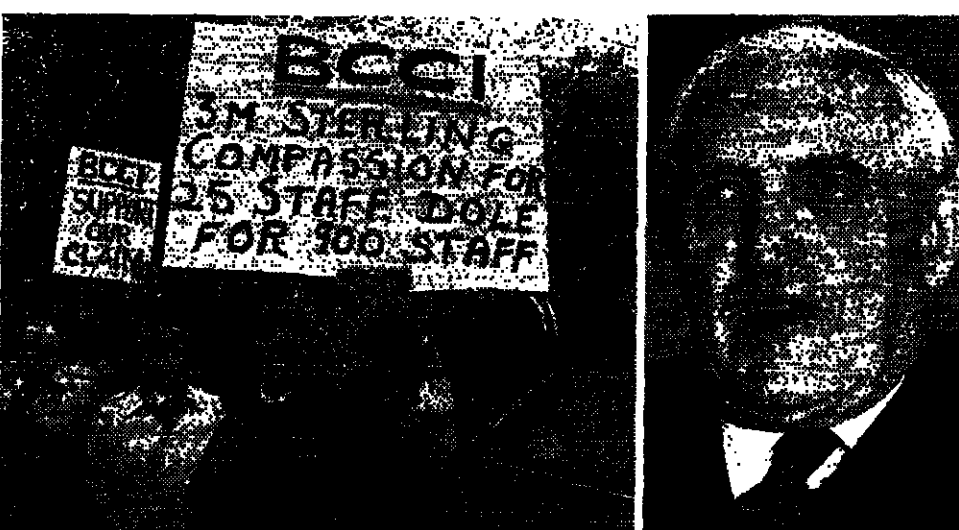
By 1979 the Bank had sufficient monitoring powers to ensure that banks in general could be prevented from acquiring excessive exposures to a particular market. But it still lacked the resources and the appropriate legal framework to keep a close watch on individual banks.

So when John Major's Bank had to be rescued by the Bank in 1984 - after JMB made imprudently large loans - the Bank acquired yet more powers in the 1987 Banking Act. Both the government and the Bank felt that the explicit responsibilities of the Bank had to be codified and extended.

Sir George says, with only a

Old Lady's slip shows

Robert Peston on the flaws in UK banking supervision



Banking after Bingham: former staff of BCCI protesting against their unfair treatment and, right, Sir George Blunden, a former deputy governor of the Bank of England

hint of facetiousness, that there is an unstoppable cycle in banking collapses and then the next calamity will happen in "five or six years".

If he is right, correcting the shortcomings identified by Lord Justice Bingham in his report will not prevent the next crisis. Sir George is one of the few officials to emerge with

any credit from the report, which details the Bank's inept attempts to keep BCCI sound.

Lord Bingham cites two occasions - in 1987 and in 1989 - when Sir George urged other Bank officials to force BCCI to incorporate its UK operations. The effect would have been to give greater responsibility for monitoring

BCCI's activities to the Bank. Had Sir George's advice been followed, the fraud at BCCI might have been detected earlier and losses eventually suffered by thousands of depositors might have been reduced.

Unfortunately, Sir George was a lone voice in the wilderness - and anyway cannot escape his share of the collec-

tive responsibility, having been associated with supervision since 1974.

The Bingham report cites ineptitude and negligence by Bank officials on widespread scale. The report says Bank officials did not understand their powers, or their responsibilities to intervene in BCCI's affairs under the 1979 Banking Act. Their consistent response for more than a decade to the growing complexity of BCCI's operations - and to a series of allegations that it was involved in fraud - was to shy away from supervising it more closely, for fear that the job was simply too big and complex.

They preferred to follow the letter, rather than the spirit, of international agreements between bank regulators, and therefore ceded the primary responsibility for monitoring BCCI to the Luxembourg authorities, despite the authorities' insistence that the Bank was far better placed to do the job properly.

The report indicates that the Bank passed the buck for taking supervisory responsibility for BCCI whenever possible. On several occasions, allegations of fraud were left to the

police to investigate, or ignored by officials altogether.

One of the most damaging repercussions from the report's criticisms may be to undermine the Bank's moral authority in the City. It will be less able to command respect after Lord Bingham's portrait of it as feeble, so any residual hope that financial practitioners will feel responsible for following the spirit of City of London laws and codes must be commensurately reduced.

Sir George draws the lesson from the BCCI saga that "regulators are good at dealing with people wanting to be proper bankers - they are not good at dealing with fraud". But Lord Bingham does not recommend that the Bank's traditional technique of supervision, which is based on trust and willingness on the part of bankers to co-operate, should be changed fundamentally.

This system is relatively cheap to operate and has worked well in preventing severe financial difficulties at most banks. The more interventionist and aggressive US model of banking supervision carried out a range of institutions has been rejected. It requires the employment of more officials and is thus more expensive to operate.

Though the Bank of England is unlikely to be as remiss in the future supervision of a bank as it was in the case of BCCI, there is a hidden cost in

the UK supervisory approach, which falls on bank customers.

Periodically, the Bank's trust in bankers proves misplaced, with the result that a bank may collapse, leading to losses for its customers of the uninsured portion (75 per cent up to a maximum of £15,000) of their deposits (in the US, deposit insurance in effect covers all deposits).

The justification for imposing this risk on bank customers is that they will put pressure on banks to behave prudently, because they will only place their funds with soundly managed banks.

However, it is impossible for customers to know for certain that a bank is sound. Even the most ostensibly conservative of banks can run into difficulties. Adam Bank, a small, private bank managed along prudent lines, recently had to be rescued when all its capital was wiped out by £21m currency losses incurred by three dealers operating outside the bank's normal rules.

So depositors may be tempted to put all their funds with the big four clearing banks. The repercussions of the collapse of any of them would pose such a risk to the entire financial system that the government and the Bank would not allow them to fail, no matter how poor the service they may offer or their relative inefficiency compared with many smaller banks.

Wanted: Men (fewer women can stand the strain these days) to run countries suffering from doldrums and deficits. Ability to withstand depression would be useful. Applicants should be ready for a 16-hour day, punctuated by television debates, budgetary discussions, sandwich lunches to discuss unemployment, and banquets with other leaders in similar predicaments, when interpreters will be available. Experience of dealing with opposition parties and high interest rates essential. The successful candidate may not see his family for long periods unless in the company of a) a TV cameraman, b) a policeman c) a divorce lawyer.

The pleasures of governing western industrialised countries have seldom appeared more scanty. Few presidents and prime ministers in recent weeks have been free from the strain of economic woes or electoral misfortune. Leaders react to the stress in different ways - and some seem to beat it much better than others.

President Mitterrand likes to emphasise inner calm by never wearing a wrist watch. This is a

sign, some amateur psychologists argue, of a tranquil and self-sufficient turn of mind (or simply, others say, of lack of consideration for keeping people waiting). Mr Carl Bildt, the Swedish prime minister, has been up all night on several recent occasions hammering out austerity programmes to save the krona. But since the Bildts - who live in a small central Stockholm apartment - have a one-year old baby, he says he is used to disturbed nights.

Mr George Bush indulges in frenzied pursuit of leisure, completing a round of golf in less than two hours, or pursuing fish in a cigar-shaped powerboat off the coast of Maine. He was rewarded this week by seeing the local newspaper in the township of Kennebunkport, where he has a holiday home, endorsing the Democrats for the first time.

Mr John Major is far from being a nervous wreck, as some UK newspapers this week have tried to depict him. But the British prime minister - whose predilection for junk food pre-dates his accession to the highest office - looks thinner than when he won the general election in April. Well before the gen-

FT writers on how to relieve the rigours of rule Tensions at the top

eral election, aides admitted that he found his cramped Whitehall living quarters wearisome. After six weeks of working 18 hours a day, the prime minister is tired and sometimes irritable. Yet those who have spoken to him this week have been impressed above all by Mr Major's sombre determination.

One leader who, for all his travails, has not lost his appetite is Mr Helmut Kohl. Since unification two years ago, the German chancellor has taken an almost other-worldly approach to his country's problems, refusing to attend to questions of detail. "He likes to tell people: 'Get on with it,'" said one aide yesterday. Mr Kohl can easily relax over a bottle of wine and a plate of Saumagen, or stuffed pig's belly - the Rhineland equivalent of Scottish haggis. His ability to devour real haggis impressed his Scottish hosts during a visit to Edinburgh last year.

Every year, he takes a two-week spring break at a health resort to cut his 17-stone bulk, and then rapidly puts on weight again. Mr Kohl conscientiously declined all but a morsel of the main course during one recent dinner. Afterwards, he wolfed down a dozen apples in 15 minutes to still his hunger.

Mr Kohl's colleagues are driven close to distraction by his beatific optimism. One way that Mr Kohl escapes stress is through an extraordinary capacity to catnap whenever he needs it - in aircraft and even in helicopters - and then wake up, capable of instantly focussing on the next problem. For all his unruffled appearance, Mr Kohl can show extreme over-sensitivity. If he has taken any lessons in withstanding the rigours of office, he seems to have absorbed them from Mr Mitterrand.

After his operation for cancer of the prostate gland last month, the French president is approaching

his 76th birthday on Monday with Sphinx-like impassiveness.

The president likes where possible to repair to his apartment in the rue de Bièvre, near Notre Dame cathedral on the south bank of the Seine. He takes a daily after-lunch walk in the streets around the Elysee palace and plays golf on Mondays, often with his friend Mr André Bonselet, chairman of the Canal Plus pay television station, at the prestigious Golf de Saint-Cloud, west of Paris. The club is unable to divulge his handicap.

Visitors to an honour-giving ceremony at the Elysee on Wednesday evening recount that the president was cheerful and alert. Without using notes, he was able to make short but apt personal speeches to each of the recipients of decorations.

Like Mr Mitterrand, Spanish prime minister Felipe Gonzalez - favourite bedside reading: Don Quixote - likes to go walking to get



away from it all. He spends his summer holidays deep in the marshy wilds of the Coto Doñana national park by the southern tip of Spain or, rod in hand, on a fishing smack in the straits of Gibraltar. He has dug a cabbage plot in the gardens of his official residence, the Palacio de la Moncloa. Lately, Mr Gonzalez has developed a passion for cultivating bonsais. He can sometimes disappear at weekends to tramp the sierras of

Castile in search of incipient saplings that might be added to his mistle-tree collection.

The champion in standing up to pressure is Prof Giuliano Amato, Italy's Socialist 54-year-old prime minister, who has battled with four months of crisis. Most evenings he returns home exhausted between 1.00 and 1.30 am and goes almost straight to sleep before waking at around 6 am. Even with his rational academic mind, he admits he often wakes early "with all the problems crowding in on me and reaching right to the stomach".

On the few occasions he can relax, Mr Amato likes to stay at home with his wife, Diana, listen to Mahler records and read. He still likes to pretend he can lead a private life. On the weekend after Italy's devaluation last month, he gave the slip to his bodyguards and stood in line at a cinema to see "Americans". For world leaders trying to escape the pains of office, the best remedy is to try to behave like everyone else.

Contributors: Tom Burns, William Dawkins, Robert Graham, David Marsh, Jurek Martin, Quentin Peel, Philip Stephens and Robert Taylor

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Banking excellence needs to be more convincing

From Richard Simmonds MEP.
Sir, I receive many letters asking me to promote the excellence of the City of London and to help establish its position as the banking and financial centre of the European Community.

During the past week, I sought to change into sterling BFR 50,000, through one of Britain's high street banks. With a mid-point between buy and sell of almost BFR 50 to the

pound, this bank, of which I have been a customer for 30 years, offered me £212.17. With the same mid-point, a Belgian bank offered me £970.0.

If this is typical of British bank practice, I need to be re-convinced before promoting its excellence.

Richard Simmonds, Woodlands Farm, Maidenhead, Berkshire SL6 9PL

Pit calculations ignore damage to confidence in economy

From Dr Stefan Skrzemski.

Sir, Andrew Glyn's letter (October 20) represents the first clear statement of the cost-benefit calculation involved in shutting down the 31 pits. He states that the 31 mines produce annually 30m tonnes at a production cost of £40 per tonne when the world market price is £30 per tonne. Hence the opportunity cost of keeping the pits open is £300m per year. Using a real interest rate of 5 per cent, this implies that the cost of keeping the pits open is £50m in present value terms. He then states that the cost of closure is £1,300m in the first year and a recurrent annual cost of £500m per year thereafter, so long as the redundant miners remain wholly unemployed.

By this reckoning, the redundant miners could spend up to twelve full years in unemployment and still the present value of the cost of closure would be less than the cost of keeping them open. Only if the redundant workers remained

wholly unemployed for 13 or more years would it be cheaper to keep the pits open.

These calculations ignore the unquantifiable damage to confidence in the economy caused by announcing closures in the middle of a recession and possible knock-on effects in other parts of the economy. They assume the gap between the production cost and the market price does not change and they also do not attempt to put a value on the personal consequences to miners and their families of abandoning mining.

However, they do represent the basis on which any well managed business would make the decision. This has nothing to do with the price of gas, the government's cowardly reliance on the choices of a rigged market or bogus appeals to a nebulous national interest. Stefan Skrzemski, assistant professor of economics, London Business School, Sussex Place, Regent's Park, London NW1 4SA

Growing support for increases in aid

From Mr Ben Jackson.

Sir, Just two points to add to your excellent leader stressing "Aid Matters" (22 October).

First, since Monday the parliamentary ground swell against cutting Britain's overseas aid budget has grown still further: 37 Conservative MPs have now signed the World Development Movement-sponsored letter to the chancellor calling on him to, at least, maintain the small planned increases in aid set out in last year's Autumn Statement.

As the government defines its "go for growth" strategy, ministers would do well to reflect not only on the compelling humanitarian arguments for aid, but also the business, exports and jobs aid secures for Britain.

Second, you rightly highlight

the crippling effect of the Multi-Fibre Arrangement (MFA) on developing countries, for whom clothing and textiles make up a quarter of all manufactured exports. Unnoticed by many, earlier this month the Council of Ministers decided to roll over the EC's system of MFA restrictions for yet another year, pending a General Agreement on Tariffs and Trade deal.

With now little prospect of a GATT settlement, there is no excuse for the EC not to agree to start phasing out its discriminatory textile quotas against the Third World.

Ben Jackson, campaigns co-ordinator, World Development Movement, 25 Beehive Place, London SW9 7QR

Responsible lending

From Mr Steven T Slaughter.

Sir, It seems a very odd response to a problem created by lending too much, to permit even more to be lent ("Borrowing rule change for housing market", October 21).

It may be the expedient answer in the present situation - expedient for the lenders, that is - but unless it is made impossible in the future for lenders to look beyond the value of the property for repayment, the problem will persist.

It is naive but understandable that borrowers rely for advice on those in whose interest it is to lend the maximum. If liability is limited to the value of the mortgaged property, lenders will take their position more responsibly. Steven T Slaughter, Henfield Place, Henfield, Sussex BN9 9PH

Myth and whimsey surrounding VAT and food

From Mr Michael Poyner.

Sir, The debate in your pages on VAT, which prompts Mr Ben Patterson to write to you (Letters, October 22), is in danger of perpetuating the widely believed myth that food in Britain is zero-rated.

Although you refer, in one of the articles he mentions ("VAT headache", October 13), to the zero-rating of "many" rather than "all" foods, I suspect very few of your readers realise that in their average spend at a supermarket, having excluded all non-food purchases, they will have paid about 6 per cent VAT. British consumers were seriously misled by the stirring Europhobic tones of Mr Thatcher when she said "I

shall never put VAT on food!" They would be amazed by the reality as the table shows. The list is endless. Perhaps the most whimsical decision relates to frozen yoghurt: if it requires defrosting before eating it is zero-rated but if it can be spooned when frozen it bears VAT at 17.5 per cent.

The consistency and the logic of the current system

could have been devised by Lewis Carroll. We should recognise the reality of the situation and - like the French with their 5.5 per cent VAT on all food - apply a uniform rate. The processes of harmonisation are not helped by our arcane habits. Michael Poyner, 63 Lant Street, London SE1 1QN

VAT at 17.5%

juice
laxative teas
sea salt
pet food
sugar-coated fruits
savory popcorn

Zero-rated

freshly-squeezed orange juice
herbal teas
fine salt
animal feeding stuffs
toffee apples
savory biscuits

Echoes of Keynes in arguments over support for over-valued exchange rate

From Dr Richard Coghlan.

Sir, Peter Martin ("Troubling memories of the 1930s", October 17) refers to John Maynard Keynes' concern about the impact of external economic conditions on the domestic economy, and provides a quote that could have come from Norman Lamont's current issue of "Popular Economic Dilemmas".

Particularly apposite is the reference to external depression (read recession) which, in this case, the Bundesbank is

inflicting on Germany and the rest of Europe. Many argue that Britain should never have broken ranks, and should suffer the same, or worse, consequences. No matter the policy prescriptions of the Bundesbank are inappropriate for the circumstances.

In Keynes' *The General Theory*, the ghosts of the past haunt the present: "...the City of London gradually devised the most dangerous technique for the maintenance of equilibrium which can possibly be

imagined, namely, the technique of bank rate coupled with a rigid parity of the foreign exchange. For this meant that the objective of maintaining a domestic rate of interest consistent with full employment, was wholly ruled out. Since, in practice, it is impossible to neglect the balance of payments, a means of controlling it was evolved which, instead of protecting the domestic rate of interest, sacrificed it to the operation of blind forces. Recently, practi-

cal bankers in London have learnt much, and one can almost hope that in Great Britain the technique of bank rate will never be used again to protect the foreign balance in conditions in which it is likely to cause unemployment at home."

There are good reasons to justify support for a fairly-valued, but not over-valued, exchange rate. Transitional costs will be incurred in moving from one level to another, but these will be less than

those suffered by trying to beat down domestic costs to compensate for lack of competitiveness. The way to support an over-valued exchange rate is to maintain relatively high interest rates, or manage policy so as to force economic growth below its long-term potential. Keynes believed these costs were unnecessary and unacceptable; he was right. Richard Coghlan, Strategic Investment Services, 1325 Morris Drive, Wayne PA 19087, USA

ADVERTISEMENT									
BUILDING SOCIETY INVESTMENT TERMS									
Product	Gross CAR	Net CAR	Interest paid	Minimum balance	Access and other details				
Alliance & Leicester									
Home 90	9.25	6.94	Yearly	Tiered	8.75/8.50/8.10/7.25				
Home 75	9.15	N/A	Yearly	£30	28 days notice/monthly inc. ac.				
Home 60	8.75	6.56	Yearly	Tiered	8.25/7.75/7.00/6.75				
Home 45	8.10	6.08	Yearly	Tiered	7.65/7.15/6.50/6.00				
Home 30	7.25	5.40	Yearly	Tiered	6.95/6.45/5.80/5.25				
Home 15	6.75	4.92	Yearly	Tiered	6.25/5.75/5.10/4.50				
Home 0	6.25	4.44	Yearly	Tiered	5.55/5.05/4.40/3.85				
Barnley 02326 739999									
Home 90	9.00	6.75	Annually	£25,000	30 days notice				
Blackburn 01602 555555									
Home 90	9.50	N/A	Yearly	£25	30 days notice				
09022 710000									
First Class Inst. 8	9.00	6.75	Yearly	£25	30 days notice				
Bratford and Blyth 02274 561545									
Mastercard Shares	5.95	4.46	Yearly	£1,000	inst. flex. free no withdrawal				
Mastercard Shares	6.95	5.22	Yearly	£10,000	inst. flex. free no withdrawal				
Mastercard Shares	8.95	6.25	Yearly	£15,000	inst. flex. free no withdrawal				
Mastercard Shares	9.50	8.30	N/A	Yearly	£9,000				
Max Rep. Rts. Term	9.10	6.83	Yearly	£5,000	Plus 1.5% in bonus (9.30% on spec. Term)				
Max Vintage Bond	9.10	6.83	Yearly	£5,000	2 year Bond monthly income				
Max Vintage Bond	9.00	7.25	Yearly	£25,000	0.25% & 0.90% Areal from 26/10/92				
Select	8.20	6.00	Yearly	£50	Interest on cash				
Select	9.00	6.75	Yearly	£25,000	or cash/inst. or part cash				
Select	8.60	6.45	Yearly	£10,000	Cash/inst. or part cash				
Select	7.80	6.02	Yearly	£2,000	Cash/inst. or part cash				
Select	7.00	5.25	Yearly	£50	Interest on cash				
Select	1.50	1.13	Yearly	£1	Interest on cash				
Select	1.00	0.75	Yearly	Tiered	10.15/9.70/9.30/8.90/8.45				
Banc Interest Bond	10.55	7.91	Yearly		High interest with only 30 days notice				
Bond 2	10.75	8.06	Yearly	Tiered	10.45/9.95/9.45/8.95/8.45/7.95/7.45/6.95/6.45/5.95/5.45/4.95/4.45/3.95/3.45/2.95/2.45/1.95/1.45/0.95/0.45/0.00				
Catholic 071-222 6797/97	10.35	7.76	Monthly	£30,000	10.45/9.95/9.45/8.95/8.45/7.95/7.45/6.95/6.45/5.95/5.45/4.95/4.45/3.95/3.45/2.95/2.45/1.95/1.45/0.95/0.45/0.00				
Credit 02566666001 555 17111	8.00	6.00	On Monthly	£1	90 day £2000+ 10.10%/6.75 net				
	9.00	7.125	Annually		Interest Rate Term 31.12/92				
Chesham & Gloucester									
Home 90	10.20	7.65	Yearly	£25,000	Interest with 7 day pen. Min. inc. £5,000				
Home 75	9.60	7.00	Yearly	£25,000	Access is instant with a 90 day pen.				
Home 60	9.00	6.40	Yearly	£25,000	Inst. sec. £5000+ 6.00%, £10,000+ 5.50%				
Home 45	8.25	5.65	Yearly	£25,000	90 days notice or inst. access				
Home 30	8.80	6.40	Yearly	£25,000	with 90 day pen.				
Home 15	8.30	6.22	Yearly	£1,000	monthly income option				
Home 0	7.50	5.42	Yearly	£1	inst. Access - income option				
Instant Option	8.00	6.75	Yearly	£40,000	Inst. Access - 7.75%, £25,000 - 8.25%				
Instant Option	7.25	5.43	Yearly	£1,000	Inst. inst. 8.00%				
Instant Option	9.35	N/A	Yearly	£1	Monthly access with 90 day pen.				
Instant Option	10.00	7.50	Yearly	£98,000	Monthly income option				
Instant Option	9.35	7.34	Yearly	£25,000	Interest rate guaranteed until 31/12/92				
Instant Option	9.85	6.78	Yearly	£1,000	Gross rates include 0.25% annual				
Instant Option	9.25	6.18	Yearly	£1	Inst. Access - income option				
Instant Option	9.60	7.00	Yearly	£100,000	Inst. Access - income option				
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COMPANY NEWS: UK

Hanson hits out at RHM demerger plan

By Maggie Urry

HANSON condemned Rank's plan to demerge RHM from its food and grocery business, attacking the plan as "ill-conceived" and "unfair" to its shareholders.

RHM again urged its shareholders to reject the offer. The terms, 200p in cash for the ordinary shares and par for the preference shares, values the whole company at £790m.

In a letter to RHM shareholders Lord Hanson, chairman of the Anglo-American conglomerate, said: "Your board's defensive proposal to break up your company has confirmed our view that change is required."

He said the milling and baking division had failed to do anything about the changing trends in that market. The grocery products side it was "difficult to see a rational approach to the management of a brand portfolio".

Hanson's brand management skills were displayed in its Imperial Tobacco cigarette business and its Seven Seas vitamin subsidiary.

RHM riposted, saying: "Hanson is well known as a purchaser of businesses at below their true value and is trying

to do the same with RHM".

Mr Stanley Metcalfe, chairman of RHM, said: "Hanson's document ignores the fact that the offer price was 27p below the current market price of 247p. During the day RHM shares rose 2p to 249p, and Hanson shares were 1p higher at 233p."

Hanson's document says that RHM's earnings per share record since 1988 is worse than other leading competitors. Its share price has underperformed the stock market and the food manufacturing sector since the 465p offer from Goodman Fielder Wattie was rejected in 1988.

It contrasted statements by RHM management about expansion and acquisition plans with subsequent disposals. For example, in 1988 RHM paid £20m for the Shredded Wheat breakfast cereal business.

Within two years RHM had sold all its breakfast cereal interests.

Hanson also said the demerger plan was complex, lengthy and uncertain while its cash bid offered certainty.

Delgaty said yesterday that Federal Bakers, the business it sold to RHM a week ago for up to £28m, including debt repayment, had net assets of £14m and made a trading profit of £2m in the year to the end of June.

RHM now has two weeks to produce a defence document. Hanson's offer could run until December 22, or longer if there is a rival bid, but the first closing date has been set at November 13.

Crown Comms suspended as refinancing talks begin

By Angus Foster

SHARES in Crown Communications, owner of the LBC radio station, were suspended at 6p yesterday after the company entered negotiations with its banks about a refinancing.

The company is seeking to convert a high amount of its roughly £15m net borrowings into equity, to be held either by its bankers or new investors.

"We are looking at a combination of a number of things, part of which would be debt conversion," according to Mr David Whitaker, finance director.

Crown has been in financial trouble for some time, and reported losses of £5.8m in the six months to March 31, on top of losses of £9.7m in the previous year.

The company has been disposing of non-core assets. LBC, which lost £300,000 in the half year, is set to "at least break even" this month, said Mr Whitaker.

Share suspensions and talk of refinancing are often the last alternatives when banks are threatening to withdraw support for companies. But Crown's advisers remained optimistic. "It's not all gloom," one said.

A spokeswoman for the Radio Authority, the UK's commercial radio watchdog, said Crown's situation was being monitored but LBC can continue to broadcast as long as it complies with its licence and pays its licence fee. LBC's licence is due to expire at the end of 1994 and will be re-issued from March next year.

Crown is also waiting to hear if a new set of proposals to sell some of its stake in a loss-making French radio network have been approved by the French authorities. Earlier proposals to sell some of the stake were rejected by the CSA, the French radio authority.

Crown is now seeking to sell down its effective stake from 49 per cent to 19 per cent. Mr Alain Ayache, a controversial right-of-centre magazine publisher, is believed to be buying some of the shares.

Former Kelt chief wins control of Blystad

By Richard Gourlay

The former chief executive of Kelt Energy, Mr Alastair Locke, has won conclusive control of Blystad, owner of the offshore oil service company, KCA Drilling.

The deal goes into the history books as a rare example of shareholders agreeing to accept unquoted shares in a private company in return for publicly-quoted shares.

Mr Locke said yesterday that his private company, Abbot Holdings, had received acceptance from 75.33 per cent of Blystad shareholders.

The acceptance level means Mr Locke will be able to take the company private or pass any other resolutions at an AGM.

Mr Locke already had acceptance from Blystad family directors who controlled 65.3 per cent of the company. Passage to the critical 75 per cent acceptance level was despite opposition from independent Blystad directors who say the offer is inadequate.

Bank of Ireland Corporate Finance says Abbot's preference share offer values Blystad at £7.5m, or 5.4p. The offer remains open but is unconditional in all respects.

Overseas Investment net asset value lower

Overseas Investment Trust reported net asset value of 268.8p at September 30 down from 279.3p a year earlier.

For the year to the end of September net revenue was £13.4m (£13.5m) for earnings per share of 3.53p (3.3p). An increased final dividend of 2p has been proposed for a total payment of 2.5p (2.5p).

Scapa said Oberdorfer, which is based in Heidenheim, was a leading manufacturer of forming fabrics for the paper industry, with an annual turnover of about £12m.

Nil pay-out for D&N shareholders

By Daniel Green

SHAREHOLDERS in Davies & Newman will get nothing from yesterday's sale of the company's Dan-Air subsidiary to BA. Nor will they get to vote on the deal, even though they stumped up £48.3m in a rights issue a year ago to try to keep the group afloat.

Davies & Newman secured Stock Exchange approval to avoid the need for shareholder approval "on the basis of time constraints and the fact that the proposed transaction represents the sole alternative to receivership".

Shareholders could band together to call an extraordinary general meeting. Fund managers contacted yesterday said they had not yet decided

whether to do this.

Provided the deal goes ahead, the board of Davies & Newman will propose that the company be wound up.

Creditors will fare far better than shareholders: all will have their bills paid. That includes £48m for trade creditors such as caterers and fuel companies, £12m-£13m of bank loans and £17m-£18m for loans secured on Davies & Newman's assets.

As well as paying off these liabilities, British Airways will take on the costs of rationalisation. These include redundancy payments for all but the 400-600 of Dan-Air's 1,990 permanent employees. It also employs 400 temporary staff.

BA will offer jobs at reduced

salaries to the staff it keeps. It will also pay any penalties associated with the early return of four leased British Aerospace 146 aircraft and write-off the value of seven obsolete Boeing 737 aircraft.

"The [inefficient] 737s were the cause of very significant erosion of margins," said Mr David James, the company director in charge of Dan-Air, yesterday. "Their disposal is a hit on the balance sheet which Dan-Air could not have afforded."

BA estimates that it will have to make a provision of about £38m in the second half of its 1992 accounts to cover the costs of the acquisition. This figure would have been higher if the deal had been struck at almost any other

time of the year because in October airlines are flush with cash from the busy summer season.

In return for the £38m, BA acquires 12 relatively new Boeing 737s and the business of the largest airline operator at Gatwick airport. It will close the charter services, switching stranded passengers to other flights.

Of Dan-Air's scheduled services to 28 destinations in western Europe only 12 will be retained by BA. Tickets will be honoured by other airlines.

BA will be able to trim costs by servicing some of the remaining aircraft with BA engineering staff.

BA says the rump of Dan-Air will continue to lose money through the winter season.

Davies & Newman

Share price (pence)

1000

900

800

700

600

500

400

300

200

100

0

1984 86 88 90 92

Source: Datastream

Late next financial year the deal will show significant benefits to BA, said Sir Colin Marshall, its chief executive.

Flying into a storm of competitor protest

Paul Betts reports on the fears resulting from BA's acquisition of Dan-Air

BRITISH AIRWAYS yesterday sparked off a furious controversy over the future of competition in the UK airline industry by acquiring Dan-Air, the financially troubled Gatwick-based carrier, for a nominal £1.

Smaller UK carriers warned that the deal would severely undermine the government's multi-airline policy, designed to promote competition in the industry, by further strengthening BA's stranglehold of the market.

By far the most theatrical reaction came from Mr Richard Branson, the Virgin chairman, who announced he was launching a new short-haul carrier Virgin European Airways to compete against BA. His own rescue proposals for Dan-Air were abandoned ten days ago.

He has already applied to the Civil Aviation Authority for licences and slots to fly from London to Paris, Brussels and a number of other European destinations.

But Mr Branson said the new venture could only take off "if the government now reviews competition amongst British airlines and slots at Heathrow and Gatwick which are two of the world's busiest airports".

Echoing calls from all the other UK independent carriers for a detailed investigation by the Monopolies and Mergers Commission of the acquisition, Mr Branson said: "If there is no intervention, then competition will suffer, the consumer will suffer and we will not see a flourishing multi-airline industry."

The other independent carrier scheduled services, including British Midland and Air UK, have been especially worried by suggestions that the BA deal has already received tacit approval from the authorities anxious to avoid the complete collapse of another UK airline two years after the failure of Air Europe, Dan-Air's former Gatwick competitor.

GATWICK MARKET SHARES IN 1991 Per cent share of passengers carried on scheduled services			
Airline	Domestic	International	Total
British Airways	43.1	77.8	68.1
British Midland	18.7	5.4	9.9
Air UK	9.5	3.5	5.5
Dan Air	6.2	5.3	5.8
Virgin Atlantic	0.0	4.2	2.6
Other UK carriers	22.4	3.8	10.1

Source: CAA

petitor.

All have called for a MMC investigation and some have already written to the Office of Fair Trading. Sir Michael Bishop, chairman of British Midland, said he had already complained to the UK and European Commission authorities.

"A deal like this one simply cannot be waved through," said Mr Andrew Grey, Air UK's managing director.

But Sir Colin Marshall, BA's chief executive, warned yesterday that BA would not go through with the deal if it were forced to give up routes or slots. The deal would also be threatened if it faced long regulatory hurdles.

Both Sir Colin and Mr David James, the company director who has been running Dan-Air, said the alternative to the BA acquisition would have been bankruptcy.

BA is planning to create at Gatwick a new, low cost short haul airline, operating 11 Dan-Air Gatwick routes using 12 Boeing 737 aircrafts as well as the existing 10 BA Gatwick short-haul routes with 10 Boeing 737s. Eventually they would all be under BA livery.

The deal will save about 400 jobs from Dan-Air's present full-time workforce of 2,000, but on lower pay. "That's better than no job at all," said Sir Colin.

In its submission to the OFT, one independent UK carrier notes that the job issue was one of the persuasive arguments in favour of the earlier

merger between BA and British Caledonian. But the carrier also argues that the implications of the Dan-Air acquisition are greater than those of the British Caledonian merger.

At the time of the Caledonian deal there were at least two airlines at Gatwick, Dan-Air and Air Europe, capable of providing competition against BA. "Now, so far as European scheduled services are concerned, there is no other competitive force at Gatwick nor is there a prospect that an airline could enter the market in order to provide that force."

BA carried 66.1 per cent of all passengers carried by UK airlines on scheduled services in 1991. At Heathrow it holds 40 per cent of slots, while at Gatwick it holds 55.8 per cent of slots.

Dan-Air only has a handful of slots at Heathrow, but it holds about 29 per cent of slots at Gatwick. After the Dan-Air transaction and the restructuring of its own short haul activities at Gatwick, BA expects to operate about 21 per cent of slots at Gatwick. The deal will see the closure of Dan-Air's charter operations.

But what especially worries its competitors is the fact that BA will be taking over six important Dan-Air routes to Brussels, Paris, Nice, Rome, Toulouse and Zurich on which Dan-Air was the sole carrier out of Gatwick. BA already serves these routes from Heathrow and the Gatwick operations will further reinforce BA's dominance in the



End of a tale: Dan-Air planes await their fate at Gatwick

market.

For the competitors, the liquidation of Dan-Air would have been preferable. They argue that then there would have been a greater chance that other airlines would enter the market.

But this begs the question of why no other carrier stepped in to the rescue. Even the Labour party said yesterday the BA deal "looks as though it is the best of a bad set of options".

Mr James acknowledged that the short haul business was "a dog of a market" and the only way it could be financed was under the umbrella of a strong organisation. By passing his patient on to BA, the company director yesterday was falling in line with the general trend of consolidation in the European airline industry accelerated by the recession and the advent of liberalisation.

"We did not have the pocket," he admitted.

Walker Greenbank settles Alkar dispute

By Paul Taylor

WALKER GREENBANK, the wallcoverings group, has reached an out-of-court settlement of its claims against Arthur Young, the group's former auditors, and Mr William Carr and his son, Alan.

The litigation arose from the group's £2.5m acquisition of Alkar, a shop fitting company, from the Carrs in 1987.

The total value of the settlement of the group's claims for damages and costs is worth about £4.5m, including £3.7m

in cash which will be used to strengthen the balance sheet.

Walker Greenbank had originally sought £15m in damages and interest. In arriving at the settlement the parties recognised that the costs, length and complexity of the litigation made a commercial solution desirable.

Since the end of July Walker Greenbank has incurred legal and professional charges of about £500,000. Its interim results included a £484,000 extraordinary charge mainly to cover these costs.

As part of the cash element 1.15m Walker Greenbank shares, issued to the Carrs in 1988, which had been frozen since the litigation started, were sold raising about £660,000 which was remitted to the group, together with frozen dividends totalling about £200,000.

In addition the Carrs are writing off £900,000 in loans made to Walker Greenbank. The balance of the settlement will be met by Arthur Young, now part of Ernst & Young, the group's auditors at the time of

the acquisition who resigned in January 1989 after accounting irregularities and stock problems in Alkar came to light.

Mr Charles Wightman, Walker Greenbank's chief executive, said the settlement represented a satisfactory conclusion. He added the cash would be used to reduce borrowings to below £2m for gearing of less than 10 per cent.

"Senior management will now be able to concentrate all their efforts on the further successful development of our core businesses," he added.

Scapa may buy German assets

By Andrew Bolger

Scapa Group, the Blackburn-based company which supplies technical products and services to the paper industry, said it was in talks with the receivers of a German company, F. Oberdorfer, which might lead to Scapa acquiring the business and assets of its German, Austrian and US operations.

Scapa said Oberdorfer, which is based in Heidenheim, was a leading manufacturer of forming fabrics for the paper industry, with an annual turnover of about £12m.

Receivers in at Harland Simon as talks fail

By Andrew Bolger

HARLAND Simon, the control systems company suspended on the stock exchange since last month, has been placed in receivership by its bankers. The joint administrative receivers are Mr Nick Lyle and Mr Roger Powdrell of Touche Ross, writes Angus Foster.

Harland has been negotiating a restructuring and financing levels with its bankers, mainly Barclays, since the share suspension, but the company's proposals have been turned down.

The receivership will hit 20 jobs in the holding company with 800 jobs at stake in the operating subsidiaries.

Harland's problems began in February when it issued a profit warning, leading to a slump in the share price. Following the resignation of chairman Mr Roy Ashman and a decision to sell several subsidiaries, Harland announced pre-tax losses of £8.22m in the year to March 31.

Losses included exceptional provisions of £5.1m to cover bad debts and loss making subsidiaries.

The shares, which traded at 585p in February, had collapsed to 20p when they were suspended.

Pre-tax deficit rose from £578,380 to £1.36m on sales that doubled to £2.5m (£1.25m). The

Yorklyde 30% ahead at £1.4m

Profits of Yorklyde, the cloth and rug maker, improved from £1.06m to £1.37m pre-tax for the six months ended July 31.

The 30 per cent improvement was scored on the back of a 24 per cent rise in turnover to £7.37m, against £5.92m.

Earnings emerged at 18.5p (14.1p) and the interim dividend has been maintained at 4p.

The directors said full time working was continuing at all group factories and added that the withdrawal from the RHM had helped to maintain a "healthy level of inquiry" for the new season.

Wiltshire Brewery losses rise to £1.4m

THE Wiltshire Brewery Company, the shares of which are suspended pending a share subscription and placing, yesterday belatedly reported increased losses for the 14 months to November 30 1991, writes Richard Gourlay.

Pre-tax deficit rose from £578,380 to £1.36m on sales that doubled to £2.5m (£1.25m). The

figure was after an exceptional provision of £460,241 against its investment in County Inns.

Mr Graham Axford, chairman and a former managing director of corporate finance at James Capel, said the group continued to suffer from its high gearing. Net interest charge in the period doubled to £705,000 (£342,000).

Prices for electricity determined for the purposes of the electricity pooling and trading arrangements in England and Wales, 1992-93					
Period		Pool Price		Pool Price	
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THURSDAY: German Bundesbank meeting, Mansion House speech by Chancellor Norman Lamont, Arab-Israeli multilateral talks in Paris on regional economy (until October 30), ICI third quarter results, UK monetary statistics (including bank and building society balance sheets) (September) and money market statistics (September), UK energy statistics (August), UK new vehicle registrations (September), CBI Conference in London on UK and EC Competition Law.

FRIDAY: Presidents of Turkey, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan and Azerbaijan meet in Istanbul to discuss co-operation (until October 31).

FOURTH QUARTER	THU	WED	TUE	MON
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INTERNATIONAL COMPANIES AND FINANCE

Exxon and Mobil slightly ahead in third quarter

By Alan Friedman
in New York

EXXON and Mobil, the two biggest US oil and natural gas groups, yesterday reported third-quarter net profits that were only slightly improved year-on-year.

Exxon said its third-quarter net income was \$1.135bn, compared with \$1.116bn in the same period last year. That translates into earnings per share of 90 cents, two cents higher than a year ago, Exxon added, however, that 1992 extraordinary items stripped out its year-to-year improvement was 6 per cent.

Mobil reported a 13 per cent rise in third-quarter net profits to \$1.01bn. That was \$1.00 per share in the 1992 third quarter, compared to 87 cents a year ago.

However, the company said that with extraordinary items stripped out its third-quarter

1992 net would be 11 per cent higher than last year.

Mobil also announced that from January 1 next year it would start reorganising its European sales, marketing and administrative activities.

The reorganisation would see the full range of Mobil's business placed in three new profit centres - refining, fuels marketing and lubricants marketing. Revenues from these businesses in Europe last year amounted to \$14.87bn out of total worldwide revenues of \$39.1bn.

Mobil said the European reorganisation was accounted for as part of the \$68m of restructuring charges it had written off in the third quarter.

Some 8,000 of Mobil's 67,000 total employees are employed in these European activities, although the group said it could not predict how many jobs might eventually be cut as a result of the reorganisation.

Exxon said its third-quarter revenues were \$30.6bn, up from \$27.5bn a year ago. Third-quarter capital and exploration spending was \$2.16bn, down from \$2.28bn in the same quarter last year.

For the first nine months of 1992 Exxon's net profit was \$3.44bn, a sharp drop from the \$4.48bn achieved in the same period of 1991.

The company attributed the slump to unusually high refining margins in early 1991 that resulted from declining crude prices.

Revenues for the first nine months of 1992 were \$86.32bn, up slightly from \$85.47bn in the same period of last year.

Mobil's net income for the first nine months of 1992 was \$795m, down from \$1.52bn in the same period of 1991.

On Wall Street, Exxon's share price was unchanged at \$62 while Mobil's share was up 1/4 at \$63.

Japanese brokers report first-half losses

By Robert Thomson in Tokyo

JAPAN'S leading securities houses reported losses for the first half, and Nomura Securities, the largest broker, also suffered a serious loss of face by falling behind Daiwa Securities for the first time.

Brokers blamed their poor performance on the continuing weakness of prices and turnover on the Tokyo stock market, as well as a fall in underwriting fees and a halving of their financial revenue.

The earnings figures would have been worse if all brokers had written off the losses on their securities holdings. In an attempt to encourage the market in August, the finance ministry allowed the houses to delay the write-off until the end of the fiscal year in March.

Nomura, Daiwa, and Nikko Securities reported small pre-tax profits, while Daiwa reported zero after-tax profits and Nomura and Nikko had net losses. Yamaichi Securities, the final member of the Big Four, reported a pre-tax

loss of ¥19.3bn (\$160m), up from a ¥5.4bn loss last year, and an after-tax loss of ¥15.8bn, up from ¥3.8bn.

All the brokers are forecasting improved results for the second half, but the renewed weakness of Tokyo prices in

New Japan Securities, which admitted that "our revival plan was not strong enough for us to make a profit".

When the first half began, most brokers reckoned that the daily average trading volume in Tokyo would be around

The company reported a 39.6 per cent fall in stock brokerage commissions, and a 77.4 per cent fall in the total value of stocks underwritten by the company.

These large declines were common throughout the industry.

Individuals have been net buyers so far this month, and the second-tier brokers, who are more dependent on individuals as customers, will be reluctant on a continuing increase to improve their profits. But many second-tier companies have already conceded that it will be difficult to turn a profit this year, and New Japan forecast a pre-tax loss of ¥19bn, an improvement on last year's loss of ¥44bn.

For the full year, Nomura expects a pre-tax profit of ¥20bn, down 55 per cent, while Daiwa is expecting a pre-tax profit of ¥12bn, up 29 per cent, and Nikko is forecasting a profit of ¥15bn, compared to ¥3.1bn. Yamaichi is hoping for a pre-tax profit of ¥1bn, compared to a loss of ¥36.5bn last year.

FIRST-HALF RESULTS, Ybn (1991)

	NOMURA	DAIWA	NIKKO	YAMAICHI
Operating income	178.8 (248.0)	133.2 (193.6)	118.7 (185.3)	97.6 (136.6)
Commissions	94.7 (147.1)	70.6 (101.1)	68.4 (97.4)	61.5 (97.6)
Profit on securities	36.0 (18.6)	22.8 (16.9)	18.3 (7.4)	8.6 (-13.6)
Pre-tax profit	0.98 (36.7)	1.87 (20.6)	0.95 (12.0)	-19.3 (-5.4)
After-tax profit	-5.5 (18.1)	0.0 (10.8)	0.61 (1.2)	-15.8 (-3.8)

Source: company figures

recent weeks has prompted companies to broaden their cost-cutting programmes, which include scaling down international operations and closing unprofitable domestic branches.

The country's 10 second-tier brokers are under extreme pressure, with pre-tax losses ranging from ¥3.8bn at Tokyo Securities to the ¥18.5bn at

Y350bn, but the actual figure was ¥258bn. Trading volumes have remained weak since the second half of this month, but brokers have based their full-year forecasts on an optimistic turnover figure of around ¥500bn.

Nomura said the stock market was weighed down by the worsening domestic economy and poor corporate earnings.

try, though there was an improvement in many brokers' bond dealings. Nomura reported a ¥15.8bn profit on its trading in bonds, while the total amount of bonds underwritten fell 17.8 per cent on the same period last year.

At Yamaichi, which has launched the deepest restructuring of the Big Four, the lack of enthusiasm among individ-

Goodyear surges to \$103.3m

By Alan Friedman

GOODYEAR, the last surviving large US-owned tyre company, yesterday reported third-quarter net profits of \$103.3m, up sharply from \$58.1m a year ago.

The Akron-based company said in September it expected to achieve third-quarter earnings per share higher than the \$1.01 per share recorded in the same period last year, the 1992 quarterly earnings per share were \$1.44.

Goodyear said its improved third-quarter results had been helped by the introduction of new products and a strengthened distribution network.

Interest expenses were also lower, although advertising costs were higher.

Revenues in the third quarter were \$30n, in line with earlier forecasts by the company and compared with \$2.8bn a year ago.

In the first nine months of 1992 Goodyear had net profits

of \$279.3m, compared with a loss of \$8.5m in the same period of 1991.

Revenues for the nine months were \$8.9bn, up from \$8.1bn.

Mr Stanley Gault, chairman, said Goodyear's replacement tyre sales remained strong in the US, and he claimed that the company was gaining market share.

On Wall Street, Goodyear's share price improved by 1/4, after the results were published, to \$66.

Baltica moves to shore up capital base ahead of expected deficit

By Hilary Barnes in Copenhagen

BALTICA, the Danish insurance group, is to strengthen its capital base ahead of a loss which is expected to reach between DKr2.5bn and DKr3.8bn (\$430m-\$652m).

That would cut shareholders' equity from DKr3.2bn at the end of 1991 to about DKr1.5bn at the end of 1992, and the group will not pay a dividend for 1992.

The group has shored up Baltica Holdings, its parent company, by selling 32.35 per cent of its shares in Baltica Insurance to Den Danske Bank at DKr1.512 per share, which will

raise DKr2.5bn. The deal gives Baltica the right to buy back the shares before the end of 1993.

The holding company is selling some of its shares in France's Suez, in which Baltica has a total stake of just under 3 per cent, but this will not

affect the co-operation agreement with Suez and Vitoria, the insurance group controlled by Suez. Suez has a 23.4 per cent stake in Baltica Holding.

Baltica said it will also sell its 4.9 per cent holding in Skandia, the Swedish insurer. In its first-half statement in August, Baltica reported a DKr91m loss, but said it expected a better second half. However, the group has subse-

quently had to make a DKr600m write-off on a property investment in Gibraltar and additional property write-offs of DKr200m.

It also expects a loss of DKr300m in Baltica Bank, double the earlier forecast.

Baltica Insurance is injecting DKr500m into Baltica Bank, which received lower credit ratings recently, and making a DKr500m deposit with the bank. The group said that Baltica Holding expects to make a profit in 1993.

Ysake Bank reported a third-quarter loss of DKr400m, taking the operating loss for the year so far to DKr913m. The total loss for the year is expected to be about DKr1bn.

Skandia to review future of North American reinsurance operations

By Christopher Brown-Humes in Stockholm

SKANDIA, the leading Swedish insurer, is reviewing the future of its reinsurance operations in North America, after rejecting a \$600m offer for the business from the New York-based investment group, John Head & Partners.

Mr Haakon Lindkvist, Skandia executive vice-president, said the group had rejected the offer, worth \$20 per share, because it was "too low".

He said the group had not

received any other offers, but declined to comment further.

Skandia has already tried to reduce its exposure to North American reinsurance by selling a majority stake in Skandia America Corp (SAC) through a public offering.

However, it aborted these plans earlier this month because it could not get the price it wanted for the shares.

Since then, Mr James Dowd, SAC's chairman and chief executive, has resigned because of differences

over business strategy.

John Head said yesterday that it was still prepared to meet Skandia executives to discuss the offer.

The US group already has other insurance operations, which are affiliates of its Head Insurance Investors unit, and it was prepared to subscribe \$60m in preferred stock had Skandia's public offering gone ahead.

Last year SAC produced an SKr59m (\$10.33m) profit for Skandia on gross premiums of SKr3.2bn.

Elkem shares tumble on disappointing results

By Karen Fosell in Oslo

SHARES in Elkem, the troubled Norwegian light metals producer, fell sharply yesterday when the company announced a pre-tax loss before extraordinary items of NKr367m (\$69.72m) - the same as for the previous corresponding period.

The depth of Elkem's problems were highlighted after it was disclosed that the company has approached the industry ministry to help strengthen its capital base.

Elkem is seeking exemption from Norway's electricity tax and new taxes on electricity production or use.

The group's equity-to-debt ratio has weakened to 20 per cent from 22 per cent since January.

The company last month sought postponement by the government of a NKr270m loan used to acquire a 45 per cent stake in former state-owned

Norsk Jern Holding, which controls steel production and distribution companies.

Elkem announced its nine-month figures three days earlier than originally planned in order to stem speculation in its shares. The A shares closed NKr5.50 down to NKr2.50 yesterday as Free shares shed NKr4 to NKr28.

Elkem blamed its troubles on a weak market but said it is taking measures to strengthen long-term financing.

Group sales fell by NKr423m to NKr5.44bn but operating losses narrowed to NKr20m from NKr97m.

Pre-tax losses after extraordinary items widened to NKr307m from NKr188m last year. The company made a NKr60m profit on the sale of Elkem Eiendom, a real estate subsidiary. In the same period last year, it returned a NKr170m profit on the disposal of its 50 per cent stake in Alcoa Nederland Holding.

Advanta buys Kempinski stake

ADVANTA Management Group has acquired 50 per cent of Berliner Kempinski, the hotel chain, for an undisclosed sum. Reuter reports from Frankfurt. Twenty-three per cent was acquired from Luftansa and the rest from Rolaco of Geneva.

Advanta also has a 20-year option to buy Luftansa's remaining 20 per cent, with the

right to exercise the option after seven years. Rolaco has retained 10 per cent.

Earlier this month Luftansa and Advanta confirmed that they were holding talks on Kempinski. The move by Luftansa to divest its Kempinski stake came after an unsuccessful attempt to merge the hotels with Air France's Meridien luxury chain.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992	Low 1992
Gold per troy oz.	\$343.25	+0.6	\$356.05	\$356.40	\$332.50
Silver per troy oz.	\$24.50	+1.6	\$22.70	\$22.70	\$17.50
Aluminium 99.7% (cash)	\$1181.5	-3	\$1114.5	\$1133.0	\$1105.5
Copper Grade A (cash)	\$1383	+31.5	\$1383.5	\$1418.0	\$1125.0
Lead (cash)	\$224.25	+1.25	\$229.5	\$233.5	\$220.5
Nickel (cash)	\$612.5	-55	\$750	\$819.0	\$612.5
Zinc SHG (cash)	\$1109	-31.5	\$981.5	\$1457.5	\$1105.5
Tin (cash)	\$2715.0	+8	\$2677.5	\$2677.5	\$2440.0
Cocoa Futures (Mar)	\$708	+28	\$524	\$733	\$523
Cocoa Futures (Jan)	\$603	+47	\$537	\$1013	\$676
Sugar (LDP Raw)	\$20.0	n/c	\$22.9	\$27.2	\$19.8
Barley Futures (Mar)	\$127.50	+1.4	\$118.18	\$127.50	\$108.00
Wheat Futures (Jan)	\$129.15	+2.55	\$122.4	\$131.85	\$109.85
Cotton Outlook A index	\$2.70c	n/c	\$2.45c	\$2.50c	\$2.25c
Wool (Rile Super)	\$4.00	+6	\$38.50	\$38.50	\$38.50
Oil (Brent Blend)	\$20.15x	-0.55	\$21.87x	\$21.30	\$17.00

Per tonne unless otherwise stated. Unquoted, pence/kg, c-cents lb, x=20c.

COCOA - London FCE	Close	Previous	High/Low
Dec 88	681	681	682 678
Mar 89	708	707	710 702
May 89	726	723	727 725
Jul 89	745	742	742 742
Sep 89	758	758	758 758
Nov 89	782	785	782 782
Jan 90	807	807	817 807
Mar 90	831	828	831 828
May 90	846	843	846 846
Jul 90	869	865	869 866

Turnover: 6046 (6001) lots of 10 tonnes

ICE index price for Oct 22 765.85 (745.27) 10 day average for Oct 23 735.56 (738.14)

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity (\$ per tonne)	1881-2	1881-2	1881-2	1881-2	1881-2	177,348 lots
Cash	1881-2	1881-2	1881-2	1881-2	1881-2	
3 months	1881-2	1881-2	1881-2	1881-2	1881-2	
Copper, Grade A (\$ per tonne)	1382-4	1382-3	1377/1378	1378-7	1410-1	143,823 lots
Cash	1382-4	1382-3	1377/1378	1378-7	1410-1	
3 months	1459-10	1410-1	1410/1408	1405-5		
Lead (\$ per tonne)	334-4.5	330-1	334.5/334.5	334-4	338-9	24,805 lots
Cash	334-4.5	330-1	334.5/334.5	334-4	338-9	
3 months	336-4.5	333-4	336/333	335-4.0		
Nickel (\$ per tonne)	6120-10	6075-10	6120/6122	6120-2	6205-10	31,032 lots
Cash	6120-10	6075-10	6120/6122	6120-2	6205-10	
3 months	6250-5	6205-5	6250/6200	6210-5		
Steel, Special High Grade (\$ per tonne)	1109-10	1113-3	1113-3.5			
3 months	1125-4	1128-31	1130.5/1125	1130.5-1.0	1127-9	67,285 lots
LME Closing US rate	1.6130					
SPOT: 1.6130						

Turnover: 1109-10 (1113-3) lots of 10 tonnes

ICE index price for Oct 22 765.85 (745.27) 10 day average for Oct 23 735.56 (738.14)

LONDON BULLION MARKET	Close	Previous	High/Low
Gold (tray oz)	\$343.25	\$343.25	\$343.25
Opening	\$343.25	\$343.25	\$343.25
Morning fix	\$343.25	\$343.25	\$343.25
Afternoon fix	\$343.25	\$343.25	\$343.25
Day's high	\$343.25	\$343.25	\$343.25
Day's low	\$343.25	\$343.25	\$343.25
Low Ltd Mean Gold Lending Rates (Ys US\$)			
1 month	2.06	2.06	2.06
2 months	2.06	2.06	2.06
3 months	2.14	2.14	2.14

Turnover: 1109-10 (1113-3) lots of 10 tonnes

ICE index price for Oct 22 765.85 (745.27) 10 day average for Oct 23 735.56 (738.14)

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low
Nov	61.80	61.92	62.40 61.50
Dec	62.25	62.86	63.15 62.15
Jan	62.35	63.15	63.70 62.70
Feb	61.70	62.26	62.86 61.70
Mar	59.80	60.26	60.50 59.70
Apr	58.25	58.48	58.80 58.25
May	57.00	57.23	57.40 57.00
Jun	56.25	56.28	56.28 56.25
Jul	56.10	56.28	56.28 56.10
Aug	55.50	55.78	56.70 55.50

Turnover: 1109-10 (1113-3) lots of 10 tonnes

ICE index price for Oct 22 765.85 (745.27) 10 day average for Oct 23 735.56 (738.14)

Chicago	Close	Previous	High/Low
SOYABEANS 5,000 bu m/c cents/bushel			
Dec	16.09	16.17	16.27 16.06
Jan	15.22	15.32	15.38 15.21
Mar	14.45	14.54	14.61 14.34
May	13.90	13.77	13.84 13.67
Jul	13.00	12.98	13.04 12.99
Aug	12.97	12.95	13.00 12.97
Sep	12.93	12.93	13.00 12.93
Oct	12.93	12.93	13.00 12.93
Nov	12.93	12.93	13.00 12.93
Dec	12.93	12.93	13.00 12.93

Turnover: 1109-10 (1113-3) lots of 10 tonnes

ICE index price for Oct 22 765.85 (745.27) 10 day average for Oct 23 735.56 (738.14)

London Markets

SPOT MARKETS

Grain oil (per barrel FOB/Oct)

Dabul \$17.85-7.05 -0.05

Brent Blend (dabul) \$19.05-0.05 -0.05

Brent Blend (Oct) \$20.10-0.20 -0.05

losses

stumble results

FOREIGN EXCHANGES

Dollar breaks key resistance

THE DOLLAR broke through DM1.53 against the D-Mark for the first time in two months yesterday as dealers become increasingly convinced that there will be another official cut in German interest rates, writes James Billie.

All week, the market has been looking for any indication that German rates are about to ease and that the dollar is on an upward path. Yesterday was no exception.

The dollar rose to a high of DM1.536 in European trading, partly precipitated by comments from Mr. Erich Fein, the Deputy President of the Bavarian central bank, who said that the recent rise of the D-Mark had led to a reduction in inflationary pressures as import prices ease.

Central bank officials later denied that Mr. Fein had specifically commented on the conditions necessary for a cut in rates. But a comment from Chancellor Helmut Kohl that tax increases would be necessary in 1995 to pay off around DM400bn of East German debt added to speculation that the Bundesbank will relax monetary policy as public spending is tightened.

The dollar closed in Europe at DM1.5310, up more than two pence on the day.

Many analysts believe that the dollar will soar in the aftermath of the US election. Mr. Jim O'Neill, head of research at Swiss Bank Corporation in London, noted that the currency had been bought by major investment institutions yesterday, a view echoed by several other analysts.

But the currency's moves between now and the US presidential election in ten days are trickier to call. Mr. Neil MacKinnon, chief economist at Citibank in London, says that next week's economic indicators could underline the sluggishness of economic growth. He believes that the figure for third quarter GDP in the US, due out on Tuesday,

may show quarter-to-quarter growth below one per cent. He also believes that consumer confidence figures will also disappoint investors.

The Italian lira was the other currency to dominate events yesterday. The Bank of Italy gave several indications that it may be planning to re-enter the European exchange rate mechanism sooner rather than later.

First, the Bank announced that it would offer repurchase tenders in foreign currencies next week, an unusual move which underlines its belief that the lira will not depreciate. Dealers said this was compounded by the Bank's covert intervention in European markets yesterday, supporting the lira, for the first time since it left the ERM. The Bank closed the day by reducing the discount rate by 1 percentage point to 14.75 per cent as the lira closed at L786.1, to the D-Mark, from a previous close of 877.6.

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£ IN NEW YORK

Oct 23	Oct 24	Oct 25
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CURRENCY MOVEMENTS

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CURRENCY RATES

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OTHER CURRENCIES

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FORWARD RATES AGAINST STERLING

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MONEY MARKETS

Overnight at 100%

THE LIQUIDITY shortage in the sterling money market took a turn for the worse yesterday as the overnight rate in the interbank market rose to 100 per cent in afternoon trading, writes James Billie.

Commercial banks were bidding painfully high levels for sterling against base rates of 8 per cent because of the shortage of cash in the system. There was general dismay at the situation, and some discount house dealers were concerned that the Bank of England has proved unable to rectify the problem by adding liquidity.

UK clearing bank base lending rate 8 per cent from 1st Oct, 1992

Yesterday's shortage of £1.8bn forecast by the Bank of England was the latest in a string of liquidity problems that have dogged the sterling market all week. They are partly the result of the tax collection season which the UK is now in. This forces the banks to deliver more funds to the Bank of England than they are receiving.

But the difficulties fundamentally reflect the systemic shortages which followed the Bank of England's massive intervention on the

foreign exchanges in the wake of Black Wednesday. Compounding the problem is the widespread feeling that another base rate cut is imminent. Dealers do not want to offer bills to the Bank of England at the current structure of 8 per cent base rate, because they fear that the assets will lose value if base rates are cut.

Last Friday's base rate cut in the wake of a 26-day 'repo' reflecting the former structure of rates has probably undermined any interest in offering bills.

Discount house dealers said that the Bank of England did not dare to offer liquidity through a short-dated 'repo' because this would be interpreted as signalling another base rate cut.

One dealer wondered whether there might be policy differences between the Treasury and the Bank of England. He could not understand why the Bank did not offer a short-dated repo accompanied by an announcement that it signalled no policy change.

The Bank provided late assistance of £400m yesterday, although this still left the system short of £350m of cash. One month money closed 1½ percentage points above base rate, while 3 month money firmed up to 8 per cent.

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The Bank provided late assistance of £400m yesterday, although this still left the system short of £350m of cash. One month money closed 1½ percentage points above base rate, while 3 month money firmed up to 8 per cent.

FINANCIAL FUTURES AND OPTIONS

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Policy shift momentum begins to fade

Chinese concerns hit HSBC

He said there were no immediate prospects for an upturn in the European petrochemicals market and Shell's P/E relative to the market is at an all-time high with the yield close to its low. He cut his 1993 profit forecast

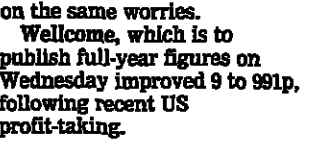
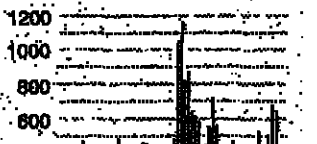
British Funds.....	RI
Other Fixed Interest.....	
Commercial, Industrial.....	3
Financial & Property.....	1
Oil & Gas.....	
Plantations.....	
Airlines.....	
Others.....	
Total	6

On Friday		On the week		
Falls	Same	Rises	Falls	Same
9	16	294	59	32
3	2	42	12	21
191	885	1,857	984	4,265
137	484	1,356	406	2,270
15	47	129	72	224
0	9	5	2	38
15	114	193	69	473
52	22	272	161	98
422	1,579	4,148	1,765	7,421

cluded Inchcape which derives a substantial part of its revenue from the territory. It fell 14 to 504p, in trade of 1.1m, while shares in Trafalgar House, a member of the consortium building a bridge that is part of the airport project, eased a penny to 87½p.



On 10 November the



On 10 November the

accordance with the facts and does not omit anything likely to affect the import of such information.

October 24, 1992.

Coffee price rally back in gear

...which underlined the need for further substantial production cuts to bring the market back into balance, at least in the short term.

or
fax: 071 873 3062

accordance with the facts and does not omit anything likely to affect the import of such information.

October 24, 1992.

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2120.

Continued on next page

● Current Unit Trust prices are available on FT Cityline. Calls charged at 38p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

[illegible]

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate. A £12.50 initial set-up fee applies. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

[illegible]

and earnings

US MAR

[illegible]

INDICES

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96	40.02
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98	40.02
99	40.02
100	40.02

TRADING ACTIVITY

\$	+ or -
2.94	+0.13
0.90	+0.20
1.85	+0.10
5.50	+0.35
1.13	+0.05
0.95	+0.05

CANADA
70¢

by Tokohu.

1. *Chlorophyll a* (Chl a) and *Chlorophyll b* (Chl b) are the two main photosynthetic pigments in green plants. They are responsible for capturing light energy and converting it into chemical energy through the process of photosynthesis. Chl a is the primary pigment, while Chl b acts as an accessory pigment, transferring energy to Chl a.

...

1. *Chlorophyll a* (Chl *a*)

1. *Chlorophyll a* (Chl *a*)

1000

WORLD STOCK MARKETS

AMERICA

Bad earnings news dampens demand

Wall Street

THE Dow struggled to stay above 3,000 yesterday morning as bad earnings reports from leading companies and further declines in bond prices continued to dampen demand, writes Patrick Harrison in New York.

By 1 pm the Dow was up 0.54 at 3,001.42, having spent most of the morning at 2,990 points below Thursday's close. The more broadly based Standard & Poor's 500 was also little changed at the halfway mark, down 0.76 at 414.14, while the Amex composite slipped 0.62 to 373.89 and the Nasdaq composite firmed 0.07 to 597.13. Turnover on the NYSE was 116m shares by 1 pm. Rises and

declines were running almost neck and neck at 777 to 770.

Although analysts have been impressed by the market's recent resilience in the face of a likely Democratic victory in the presidential election, troubling corporate news continues to act as a brake on prices.

Westinghouse, United Technologies and Caterpillar have all reported disappointing third quarter earnings this week. Heavy losses in these individual stocks, which make up a large part of the Dow, have prevented it from holding its ground above 3,000 mark, which is now seen as the short-term barrier. Equities were not helped by fresh declines in bond prices, which pushed interest rates even

higher.

Motor stocks continued to advance with Ford rising another 5% to 38% in turnover of 1.2m shares on an upgrade from brokerage house Salomon Brothers, which believes that there are several positive "industry dynamics" which will benefit US auto manufacturers, especially Ford, in the short-term.

General Motors, which has been in demand lately on reports that Mr Robert Stempel, the group's chairman, will soon be ousted, firmed 4% to 33% in turnover of 1.6m shares. The stock was also helped by news that its car sales rose 9.6 per cent in mid-October. Chrysler proved the day's disappointment, easing

5% to 26% after Prudential Securities downgraded the stock, not for fundamental reasons but because recent buying may have pushed the share price close to its term peak.

Philip Morris slumped 2% to 57% in turnover of 3m shares after Ms Diana Temple, a Salomon analyst, cut her recommendation on the stock from a "buy" to a "hold" because of concerns about the group's share of the US cigarette market. The stock has been sold heavily in recent days on worries about stalling overseas demand.

Caterpillar fell 1% to 51% after several brokerage houses cut their investment ratings following bad third quarter earnings.

On the Nasdaq market, Sun Microsystems bounced back 3% to 32% in turnover of almost 5m shares. The move represented a strong recovery from late selling on Thursday, which was prompted by the release of disappointing fiscal first quarter earnings.

Canada

TORONTO stocks were easier in subdued midday trading as investors adopted a wait-and-see attitude ahead of Monday's constitutional referendum. The TSE-300 index slipped 6.5 to 3,252.2, in volume of 13m shares valued at C\$123.7m. Declines outstripped advances by 194 to 154 with 248 issues unchanged.

Signs of lower rates help Mexico recover

The government's monetary easing has prompted domestic investors to return, writes Damien Fraser

A month is a long time in Mexico's stock market, and since the dark days of September almost everything seems to have fallen into place for the country's investors. After falling some 35 per cent from June to September 29, the market's main BMV index has since recovered by 25 per cent.

The rally, stronger and longer than many had expected, has been led by domestic rather than foreign investors, and follows a string of good economic news.

In early October, Mr Bill Clinton offered conditional support for the North American Free Trade Agreement (Nafta); third-quarter results appeared to be better than expectations; and last Tuesday, the government allayed fears of a large currency devaluation by announcing an increase in the permitted fall of the peso against the dollar.

Putting the pieces together, investors concluded that economic growth would soon pick up and interest rates were likely to fall. Interest rate-sensitive stocks - such as banks, retailers, and construction companies - have led the stock market's rally.

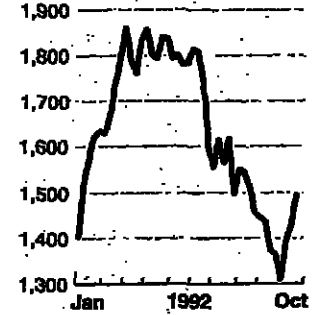
Shares in GF Bancomer and Banamex, Mexico's largest banks, are up 45 per cent and 51 per cent respectively over the past month. Cement, the leading cement company, gained 58 per cent; and Grupo Sida, part of which is a tourist and development group, 33 per cent.

The anticipation of Mr Clinton's conditional support for the North American free trade agreement sparked off the buying, as many investors reckoned that the agreement was inevitable, and could be in place by the first half of next year. With Nafta approved, more foreign investment is expected to flow into Mexico, and interest rates, which have been kept at around 19 per cent in part to maintain foreign reserves at close to \$20bn, could be lowered.

A decline in interest rates would be welcomed by Mexican companies, and would appear justifiable from the perspective of the domestic economy. Monthly inflation has been hovering around 0.6-0.9 per cent, indicating that real interest rates are close to 9-10 per cent. High rates have pushed down economic growth expectations to 2.5-3.0 per cent this year, and have contributed to the fall in the stock market from June to September.

Mexico

IFC Index (\$ terms)



Source: Datastream

Tuesday's successful renegotiation of the annual wage and price accord removed the one remaining doubt. The government backed away from its unstated goal to fix the peso to the dollar, and instead increased the maximum permitted devaluation of the peso from 2.3 per cent a year to 4.6 per cent a year.

The government's decision, combined with moderate wage increases announced on the same day, "allays fears about the over-valuation of the peso, removes a great deal of uncertainty, reduces the chances of a major devaluation, and sets the stage for single-digit inflation in 1993," says Mr Scott Galle from DA Campbell Associates, a fund manager which specialises in Latin America.

The government's reversal will make the peso more volatile, since the band at which the currency can fluctuate against the dollar will grow from around 3 per cent to nearly 8 per cent in 13 months. Mr Jorge Mariscal, manager of Latin American equities at Goldman Sachs, says this will discourage short-term investment in favour of longer-term holdings - the government's presumed goal.

On Wednesday, the first signs of lower interest rates occurred. After rising for seven consecutive weeks, rates on 28-day government paper edged down 0.2 percentage points to 19.5 per cent; on 90-day paper they fell 0.5 to 19.10 per cent.

Equity analysts immediately started to recommend interest rate-sensitive and export-oriented stocks in spite of their recent rises, since they would benefit most from the easing of the exchange rate. Mr Scott Galle, an analyst at Smith Barney, particularly likes the bank stocks, which were hit hard in the third quarter.

Mr Mariscal is enthusiastic about export-oriented stocks, and those competing in the trade sector, since their margins will rise slightly as a result of the faster rate of devaluation. Cemex is likely to benefit from the government's announcement this week to help finance the building of 500,000 low-income homes.

But he and another analyst warn that Mexico is not yet free of troubles. The current account deficit may have stabilised, but it is still likely to top \$20bn this year. Mexico's thirst for foreign capital is therefore likely to continue, leaving it vulnerable to unfavourable events in the US.

While Mr Clinton supports the principle of Nafta it is still too early to tell when a new Congress will vote on it, and whether the Mexicans can accept his interventionist parallel accords on labour and the environment. If his commitment to Nafta looks in doubt, and foreigners take their capital elsewhere, the government will have to keep the brakes on the economy for much of next year as well.

EUROPE

Bourses rise on renewed rate cut hopes

STRENGTH in the dollar, and a reawakening of interest rate hopes helped to bring senior bourses back to life, writes Our Markets Staff.

PARIS closed the October trading account with lift-off on expectations of an early interest rate cut, a strong bond market and a firmer dollar. The CAC-40 index ended up 35.67 at 1,765.41, just off the day's high of 1,770.72, for a rise of 6.1 per cent on the week. Turnover of FF3.1bn was heavy for a Friday and reflected end-account activity.

Interest rate-sensitive stocks led the rally, with Michelin adding FF11.80 or 6.4 per cent to FF193.90 in heavy trading. Suez rose FF12.30 or 5.4 per cent to FF239.50 and Saint-Gobain put on FF27.90 or 5.9 per cent to FF494.90.

FRANKFURT, however, reflected buying from DTF futures traders as the DAX index rose 16.71 to 1,526.82, 4.5 per cent better on the week.

Among the heavyweights which the DTF focuses upon, Allianz rose DM28 or 2 per cent to DM1,908 while Daimler put on DM15.50 or 2.8 per cent to DM561. An analyst said that Allianz might be looking a touch overvalued, while the climb in the dollar to over DM1.53 yesterday favoured major

FT-SE Actuaries Share Indices

October 22		THE EUROPEAN SERIES									
Nightly changes		Open	11.30	12.00	13.00	14.00	15.00	16.00	Close		
FT-SE Eurotrack 100		1026.84	1026.21	1025.76	1027.92	1033.00	1034.37	1035.51	1034.33		
FT-SE Eurotrack 200		1100.70	1099.42	1098.94	1099.51	1105.75	1108.09	1106.95	1108.83		
Oct 22											
FT-SE Eurotrack 100		1021.53	1015.54	1021.70	1001.00	1005.50	1006.54	1006.23	1005.25		
FT-SE Eurotrack 200		1095.16	1087.95	1090.40	1083.16	1085.23	1086.23	1085.23	1085.25		
Risk value 100 (250/1000) Hedgeable: 100 - 1080.00, 200 - 1117.70 Lower risk 100 - 1054.00 and 200 - 1065.25											

Base value 1000 (25/10/1990) Thursday 100 - 1026.02, 200 - 1111.70. London 100 - 1024.84, 200 - 1095.23

exporters.

Among second liners, Bremer Vulkan jumped DM2.90 to DM69.40, lifted from its 1992 low by a newspaper report that the company will win an order for four container ships to China worth DM900m.

MILAN was propelled higher in active trading amid hopes that interest rates would be cut this weekend. The government's progress on efforts to curb the public sector deficit also encouraged the market. Buying was predominantly domestic, though there was a report of a large foreign buy program. The Comit index rose 4.77 to 417.19, flat on the week, in turnover estimated at more than L200bn after Thursday's L144.8bn.

The state-controlled financial services and real estate holding company Sifa led the market higher, with its ordinary

shares rising L100 or 7.7 per cent to L1,395, on news that Sifa would officially merge with Finmeccanica, which is also state-controlled.

Trading in Alcatel Cavi was suspended ahead of news that its parent Alcatel Cable of France was offering to buy out minority shareholders. It was offering L3,700 per ordinary share and L2,730 per savings share. The ordinary share last traded at L2,800.

AMSTERDAM recovered some ground towards the close on short covering and the CBS Tendency index finished 0.2 lower at 1043, down 1.3 per cent on the week.

The financial sector continued to improve on hopes of lower European interest rates with ABN Amro up 20 cents at Ft 50.10 and ING 50 cents higher at Ft 49.50.

Fokker, besieged by rumours

throughout the week, denied another which claimed that Dasa was offering Ft 25.50 per share as part of its deal to acquire a 51 per cent stake. The Dutch group said recently that it expected the price to be nearer Ft 40 per share. The shares closed at a new year's low, down Ft 1.00 to Ft 15.50.

DAF was another 70 cents lower at Ft 10.90, a loss of 18 per cent on the week, after deferring payment of its preference dividend on Thursday.

MADRID's general index put on 1.13 to 201.18, a rise of 3.7 per cent on the week. BBV, which reported a 20 per cent fall in third quarter earnings, lost Pt10 to Pt2.15 but the sector was generally firm with Banco Popular up Pt60 to Pt560. Telefonica, in spite of recent presentations in the UK and Madrid, fell Pt15 to Pt560, while Cuhierlas showed a rise of Pt245 to Pt3,825, up 21 per cent on the week.

BRUSSELS closed higher as a strong recovery in Petrofina offset declines among some smaller industrial stocks. The Bel-20 index was 11.28 higher at 1,132.96, up 3.5 per cent on the week. Petrofina closed Bfr440 or 6.2 per cent higher at Bfr7,590.

STOCKHOLM ended the week 9.1 per cent higher, on

lower interest rates. The Affarsveiden General index rose 20.9 to 721.9 as turnover jumped to SKr516m from SKr456m.

HELSINKI extended its rally to a ninth consecutive day, the Hex index closing 14.5, or 2.1 per cent higher at 690.3, up 11 per cent on the week and 14.3 per cent since October 12.

Turnover was FM817m. A FM2.17bn trade surplus for September and lower domestic interest rates helped push the market higher.

COPENHAGEN, conversely, had another bad day, writes Harry Barnes, following the announcement of a big third quarter loss by Jyske Bank and Danske Bank's purchase of a large chunk of shares in Balda Holding. Danske fell DKr6 to DKr188 as the all-share index plunged 3.09 to 254.36.

SOUTH AFRICA

JOHANNESBURG finished little changed ahead of the week. The overall index, up 3 at 3,086, was 3.6 per cent higher on the week. The gold index advanced 3 to 864 while the industrial index was 1 better at 3,994. Western Deep Levels put on R2.50 to R57.00, a 24 per cent gain on the week.

ASIA PACIFIC

Nikkei gains on index-linked buying

Tokyo

TRADING activity centred on stocks related to room-temperature nuclear fusion yesterday, while the Nikkei average rose on index-linked buying, writes Emilio Terzani in Tokyo.

The index closed 104.61 better at the day's high of 17,117.65, down 1.5 per cent on the week. After moving in a narrow range in the morning session, it fell to a low of 16,944.43 in the afternoon session on light arbitrage and small-lot selling, before rising on a late buying initiative.

Volume was flat at 220m shares against 221m. Advances led declines by 493 to 414 with 199 unchanged. The Topix index of all first section stocks gained 3.42 to 1,296.89 and, on the ISE/Nikkei 50 index xxx to xxx.

Nippon Telegraph and Telephone surged ¥58,000 to ¥970,000 on its announcement that it had successfully tested a new vacuum method of room-temperature nuclear fusion. Other stocks related to

this technology also advanced, with Aisin Seki, the most active issue of the day, rising ¥100 to ¥1,160 and Denki Kogyo adding ¥29 to ¥866.

Bio-technology related issues gained: Shionogi, the pharmaceutical company, rose ¥44 to ¥84 on its research into cures for Alzheimer's disease.

Some export-related high-technology issues were lower on the higher yen, as the currency strengthened against the dollar. Hitachi fell ¥9 to ¥713 and Toshiba fell ¥11 to ¥692. Ito-Yokado, the leading supermarket chain, fell ¥60 to ¥3,730 on the arrest of its officials on charges of an alleged payment of ¥27m to "sokaiya" or racketeers to prevent them from disrupting the company's shareholders' meeting.

In Osaka, the OSE average fell 50.61 to 16,748.10 in volume of 13.2m shares.

Roundup

THERE were mixed performances among the region's markets yesterday.

HONG KONG eased ahead of

the weekend but was still 4.5 per cent higher on the week as the Hang Seng Index closed 65.58 lower at 8,262.54.

Hutchison Whampoa, the most active issue, lost 20 cents to HK\$17.60, while Cheung Kong fell 40 cents to HK\$34.00 and China Light shed 50 cents to HK\$35.50. Turnover was HK\$4.83bn after Thursday's HK\$3.34bn.

SINGAPORE recorded its biggest daily gain since late August on buying of blue chips. The Straits Times Industrial index rose 34.98 to 1,566.47, up 2.4 per cent on the week. Some analysts attributed the change in sentiment to positive September trade figures while others reported strong buying interest from a US pension fund.

SEOUL advanced for its sixth consecutive session as investors remained confident of an easing in interest rates. The composite stock index was 3.21 per cent higher at 571.34, a 10 per cent gain on the week, as turnover swelled to Won\$35.5bn from Won\$17bn.

Samsung Electronics closed

Won1,300 lower at Won\$1,900 on reports that the US had imposed provisional anti-dumping duties on some semiconductor.

TAIWAN saw its lowest daily turnover since June 1989, down to T\$7.7bn from Thursday's T\$8.6bn. The weighted index dropped 36.63 to 3,662.61, a 0.2 per cent fall on the week.

MANILA fell on late selling by foreign institutions and the composite index shed 6.27 to 1,321.41, down 3.6 per cent on the week. Combined turnover fell to 212m pesos from 263m pesos. Oil stocks weakened as major drilling activities scheduled for November and January were postponed.

AUSTRALIA continued to see heavy trading in Foster's rights while ANZ gained 12 cents to A\$2.95 on unconfirmed rumours that another institution might take a stake in the bank. The All Ordinaries index rose 7.4 to 1,455.5, up 2.5 per cent on the week in turnover of A\$224.5m.

Foster's rights put on 1 cent to 14 cents while the ordinary shares were steady at A\$1.24.

LONDON SHARE SERVICE

BRITISH FUNDS

Share	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

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INVESTMENT TRUSTS - Cont.

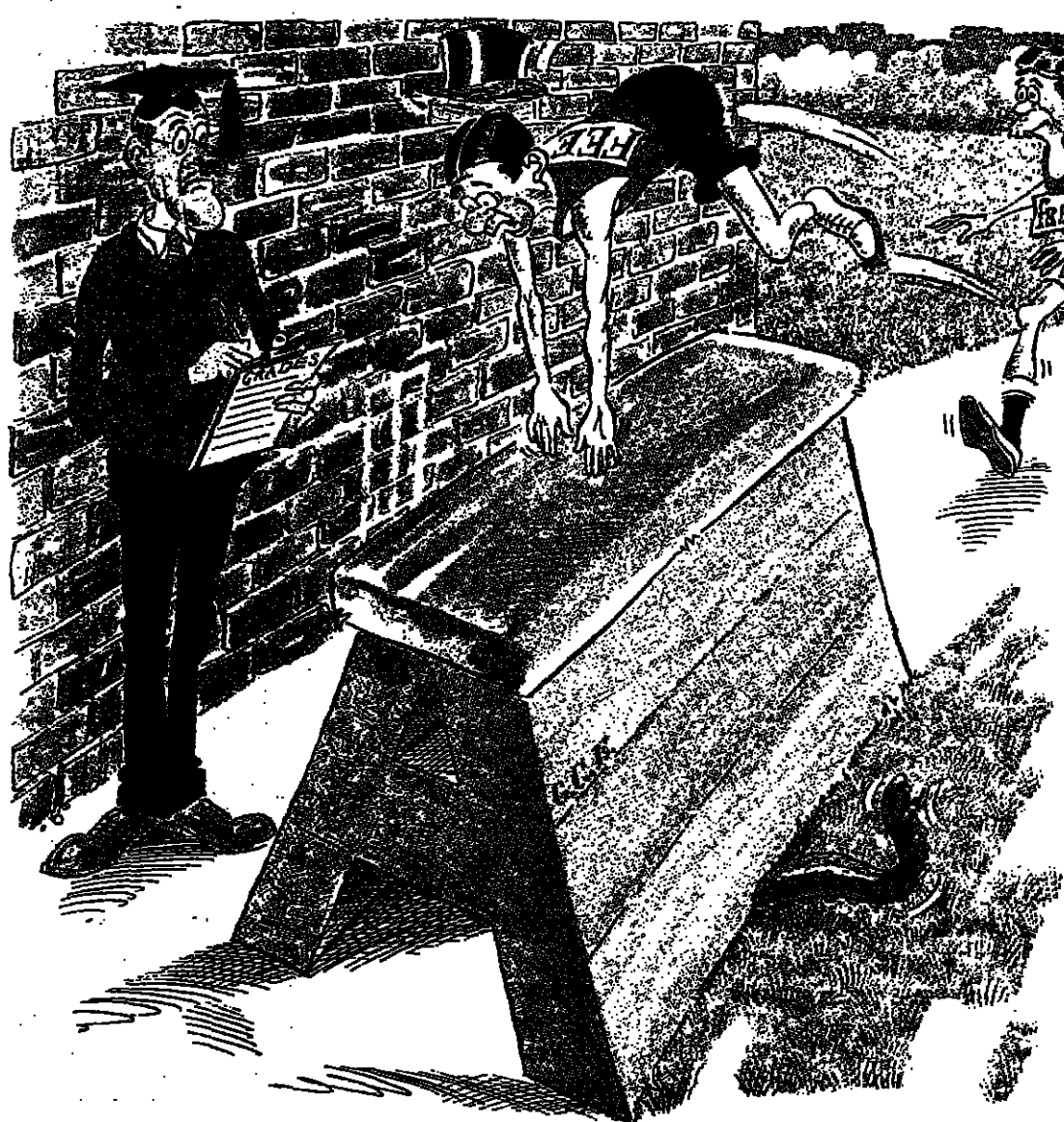
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Weekend FT

SECTION II

Weekend October 24 / October 25 1992



Schools for free or fee: what's the difference?

WHAT PRICE three A-levels? Between £70,000 and £140,000, if you put your child through the independent system. Nothing at all in the British state sector.

At upwards of £25,000 an A-level, a private education is the most expensive asset many parents buy after their house. And the bill is rising rapidly: school fees have increased by 10 per cent in the last decade and they will probably continue to do so. But why pay £70,000 - the going rate for 11 years at a mid-ranking prep and independent day school - if you can get it for nothing, bar your tax?

For results, parents say in chorus. Surveys show that more than anything, parents believe they are paying for better exam grades. Few mention for squash courts or social cachet.

The private sector still includes the very best schools and remains an escape route for parents unwilling or unable to move into the neighbourhood of a good state school. Even so, the FT-1,000 survey of this summer's A-level results, to be published as a special supplement to next Saturday's FT,

will, come as shock to many a mortgaged parent. For it shows that judged by results, the best of state education is easily a match for much of the independent sector.

The first complete survey of exam results from both the state and independent sectors across England and Wales, the FT-1,000 shows, by county, the top state schools in strong competition with the independent sector. That is on the basis of average A-level results, which mostly under-represent the achievement of state schools - particularly comprehensives with their non-selective intake. Pupil by pupil, much of the state sector probably does as well for individual students as its independent counterpart.

True, judged by A-level results, the leading public schools are without doubt the Rolls Royce of the national system. Not a single state school or college comes in our top 50 schools and colleges: the top state school - the Judd School for Boys, Tonbridge, Kent - comes 62nd, with only three others in the top 100. It is hardly surprising that the leading independent schools form about a third of each year's admissions to Oxbridge.

The top few hundred schools are not, however, the only good schools

- just, in the main, the most selective. Go further down the list, and the picture changes. Schools ranked between 250 and 350 are still the national cream: they gain average A-level results of around three grade Cs, and send most of their sixth-formers on to higher education. Of that 100, 34 are state institutions (19 grammar, 13 comprehensive and two sixth form colleges). Of the next 100 on our list, gaining average grades of CCD, 46 are in the state sector.

The imbalance is still marked - but less so than you might think, given that a fifth of all sixth formers (as opposed to 7.5 per cent of the school-aged population) is in private schools.

Yet beware of generalising from the top or from average results. Most parents are looking for a school close to them; and as boarding becomes ever less fashionable (boarding numbers are down 10 per cent in the last three years alone), that is increasingly true. Even boarding schools now tell you that for much of their clientele a "90 minute rule" applies - the maximum driving time a parent is prepared to endure.

So for most parents, it is the county or regional market that mat-

ters. There, no single picture emerges from the FT survey.

In two counties - Essex and Northumberland - the top performing school is in the state sector. In many others you can pay day fees of £5,000 a year for a school the average results of which are no better than those for nearby state schools.

Unsurprisingly, grammar schools top the state sector: 25 out of the top 30 state schools are grammar schools, while the top two comprehensives - Haslemere High in London and Wolverhampton Girls High - are, respectively, a religious foundation and a school which has opted out of local authority control.

Take Kent. Of the county's top 20 schools, ten are in the state sector. Kent's leading grammar schools are a match for all but three of its independent schools. In Orpington, Tunbridge Wells, Gillingham, Sittingbourne, Gravesend and Maidstone the best-performing schools are in the state sector.

The picture is more dramatic still in Buckinghamshire and Lincolnshire. Six of Buckinghamshire's grammar schools - led by Dr Challoner's, Little Chalfont - outperformed Stowe, the prestigious public school, which charges day fees of £8,200 a year. Lincolnshire has eight state schools in the top half of the FT-1,000, including two comprehensives, with the independent sector nowhere outside Stamford.

Kent, Lincolnshire and Buckinghamshire's state schools, which survived the national mania for forcing the state system into the comprehensive mould in the 1960s and 1970s, achieve unusually impressive results. It is no accident, perhaps, that Bucks and Lincs have among the weakest independent sectors in the country, since few, if any, grammar schools left the state sector under threat of reorganisation in the 1960s and 1970s. The survey shows that a large proportion of the highest achieving private schools are schools which, until 20 years ago, were an integral part of the

state sector.

Significantly, many comprehensives with professional middle-class catchment areas score almost as highly as the leading grammar schools. Oxfordshire's top state school is Cherwell, a comprehensive serving non-industrial North Oxford; Avon's is Chew Valley, in Chew Magna, mid-way between Bath and Bristol; Bishop Luffa in Chichester heads the list in West Sussex; and so on. County by county, state institutions in the wealthiest areas, with professional clienteles, gain the best results, whatever their formal status.

Indeed, an FT survey of Bristol

independent schools has little bearing on academic performance. Fee levels generally have more to do with the wealth of an institution's endowment, or the grandeur of its recent building projects, than the quality of its teaching. Collectively, private schools in Leicestershire, Greater Manchester and Greater London have the best A-level results in the country, yet day fees are typically below average in all three counties. Next week's supplement includes value-for-money tables.

Recent surveys have attempted to assess the relative "value" schools add to their pupils by comparing

week's FT-1,000 reveals the same pattern in the state sector. Of the top 30 state schools, 25 are single-sex - most of them grammar schools. The survey finds some excellent co-educational schools, but overall the results of mixed-sex schools are disappointing even among grammar schools.

Why are single-sex schools so comparatively strong? Any explanation, however tentative, is bound to be controversial. But in the state sector, one thing is clear: successful single-sex schools are among those which have best defended their character against external attempts by politicians and bureaucrats to reform them. It is time, perhaps, that British educationists paid more attention to the pioneering work by US scholars John Chubb and Terry Moe on the deleterious impact of state bureaucracy on the achievement of schools.

There is more to schools than results. There is also more to results than A-levels: vocational courses suit many post-16 pupils far better than a narrow academic régime, and Further Education Colleges are pioneering new courses alongside more traditional avenues.

Yet high-performing institutions almost invariably make exam results a priority. Strong exam performance generally also goes with a strong extra-curricular side and intense efforts for those at the lower ability end.

In a recent survey to find out why parents chose it, Queen Elizabeth's Hospital, an independent day school in Bristol, found academic results to be by far the most important factor. Next, in order, came its small size, its happy atmosphere, the headmaster and discipline. "There's no point trying to re-invent the wheel," says Dr Richard Glendon, its headmaster. "Results are the most significant aspect of achievement."

* Precise figures are subject to slight revision for late information.

** John Chubb and Terry Moe, *Politics, Markets and America's Schools*, Brookings.

The FT-1,000 survey shows that the best of British state education is a match for many private schools, say Andrew Adonis and Gillian de Bono

schools, included in next week's supplement, surmises that the city's independent day schools may well be more socially representative than the highest achieving state schools in the city, most of which are in its affluent suburbs or commuter belt.

In the state sector, then, education by mortgage has to a large extent replaced education by ability. The relationship between schools' performance and house prices is marked. All of the ten top performing counties in our survey have higher than average house prices.

Within cities and towns, estate agents will tell you that houses in the catchment areas of high-performing state schools go for a premium. According to Jason Lamb, of Douglas Maloney, an agent for the catchment area of Cranbrook School, a state grammar in Kent: "It is very important that houses are in the catchment area. Frequently it is the first thing that people mention."

By contrast, our survey shows that the level of fees charged by

grades achieved at A-level with those achieved at GCSE. This measure is of only limited - if any - significance, since it ignores progress made by pupils in their first five years at a school. It also fails to take into account a school's sixth-form admissions policy - how many of the weaker pupils get weeded out at age 16.

Next week's FT-1,000 is the first survey to publish institutions' stay-on rates. It reveals wide variations, even among top schools. While at St Paul's Girls' London all fifth formers stayed on last year, 85 per cent did so at Haberdashers' Aske's School for Girls, Elstree. Several independent schools in the top 100 had stay-on rates of less than 50 per cent - lower than many comprehensives with a wider academic mix. Stay-on rates are not just a reflection of the capacity of pupils, but they make for revealing comparisons between schools.

Last year's FT survey of the independent sector showed single-sex schools leading the field. Next

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The Long View / Barry Riley

We are not bemused



When you are a bemused investor or a beleaguered prime minister it can be tempting to see the world through the eyes of the trees. It can be worthwhile to step back from the forest for a bit of perspective; you never know, there just might be a pattern.

Right now we are in the disturbing process of changing our view of what represents economic and political normality. A certain level of living standard and rate of economic growth, and a certain position in the international pecking order, have been taken for granted in Britain and in the west generally. But although trends may persist for 30 or 40 years there is no law that says they will persist forever.

Consider the demoralisation of America, victorious in the Cold War but now fearful of losing the peace and apparently about to throw out its president. In the 1950s and 1960s great companies such as General Motors and International Business Machines dominated the industrial world. They controlled the technology and they set the standards. Now they may be in the long slow process of going bust, taking with them to oblivion the secure, high-wage jobs that fuelled American prosperity.

That degree of relative prosperity was a transient postwar phenomenon, with Europe and Japan bombed into poverty and capital famine, and the rest of the world well behind in the development timetable. Now, technology can be almost instantly transferred around the globe, and cheap labour countries are becoming powerful manufacturing centres. The rise of mainland China as a force in international trading is a little recognised threat, although highlighted this year by a booming Hong Kong stock market. Millions of industrial jobs have already been destroyed in the west, with more to come.

For a while, during the 1980s, the evil day was postponed by live-now-pay-later debt-financed binges in countries that would tolerate them, like Britain

and the US. Japan was pushed down the same road and is now nursing a dangerously sick banking system. Germany, which prudently avoided the debt trap, subsided instead into Eurosclerosis, until lured into a still more seductive unification spending spree.

Germany will pay for its excesses soon enough, along with France and the other remaining ERM members. Britain had to be forcibly rescued by foreign exchange speculators from the errors of its political masters. However, Continental recession will bring Britain scant satisfaction because our exports will be hit. Meantime, European traumas have distracted Britain's attention from the real long-term crisis. Its loss of manufacturing competitiveness and a probable inability to sustain living standards - already a serious problem in the US. It is not a comfortable position, when our government only six months ago won an election on promises of recovery and no tax increases.

Against this background, protectionism is bound to start reappearing on political agendas. At this stage the French farmers who are insisting on their right to decent incomes for growing unsaleable food may still seem an anachronism but some of their manufacturing counterparts elsewhere in Europe may soon believe they have common cause.

In the UK devaluation of the currency is part of the answer, and it may have to go further. But devaluation only works if real incomes are cut. If this impoverishment is resisted, all that happens is a surge in inflation. Moreover, a massive change in the structure of the economy is required. There must be shift of resources into net exports of manufactured goods, and a consequential sharp squeeze on the public sector and the services side of the private sector, where most people are employed. The danger is that these changes will bring lies another risk of inflation, because history shows that British employees fiercely resist nominal pay cuts, and relative shifts in income have to be lubricated by inflation.

Some say that inflation cannot happen in an economic depression. In the 1930s, it is true, prices were falling rather than rising. But then, banks were permitted to go bust, and the money supply fell, in the US at any rate. Today failed banks are bailed out by the state, their debts are assumed by the public sector and the money supply goes on rising, albeit slowly. Meanwhile the public sector deficit will be ballooning and eventually the government will not be able to finance its debts without monetising them.

Already we are in the process of a cut in real interest rates. For nearly five years interest rates have been held high in Britain in an attempt to maintain the external value of sterling and suppress domestic inflation, matching the very high real interest rates in Germany caused by the epic clash there between fiscal and monetary policies. Remember that the real return on index-linked gilts touched 4 per cent just before Black Wednesday. That real interest rate has now tumbled to under 4 per cent. Logically the British government now has motives to push that rate much lower, both to reduce the cost of the private sector's investment in manufacturing capacity and to diminish the burden of servicing its own debt.

Obviously this carries the risk of stimulating inflation but the dramatic changes in political climate in the past few weeks have shown that the government has little real choice in what it does. It was swept aside on Black Wednesday. It will now be tossed to and fro helplessly by developments in industry and in the financial system.

So much for prime ministers. As for investors, I suggested at the beginning of September that the golden age of British saving was about to end. There was bound to be a sharp and sudden change of direction, which was finally acknowledged by John Major on Tuesday. Already the net of tax return on a High Street savings account is down to about 5 per cent, and only optimists believe that will provide full protection against underlying inflation.

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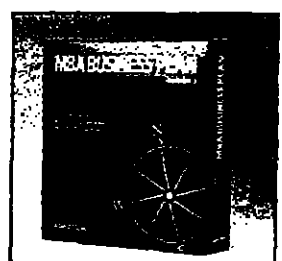
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MARKETS

London Markets

Hoping for growth in pits of despond

By Andrew Bolger

THE SIGHT of a Tory government in ignominious retreat before the miners, who are still led by Arthur Scargill, seems a rum harbinger for a stock market rally.

However, the subterranean issue which linked the U-turn on pit closures and this week's rise in share prices had little to do with coal and even less with trade union power.

Concern that recession might be stretching into slump has recently been mounting even faster than British Coal's unwanted stocks, and it was this fear which helped fuel the threatened rebellion by government backbenchers.

A temporary reprieve for 21 of the 31 threatened pits, with the further promise of an energy policy review, was sufficient to secure John Major a slim majority. But the night before the prime minister had felt obliged to declare: "A strategy for growth is what we need; a strategy for growth is what we are going to have."

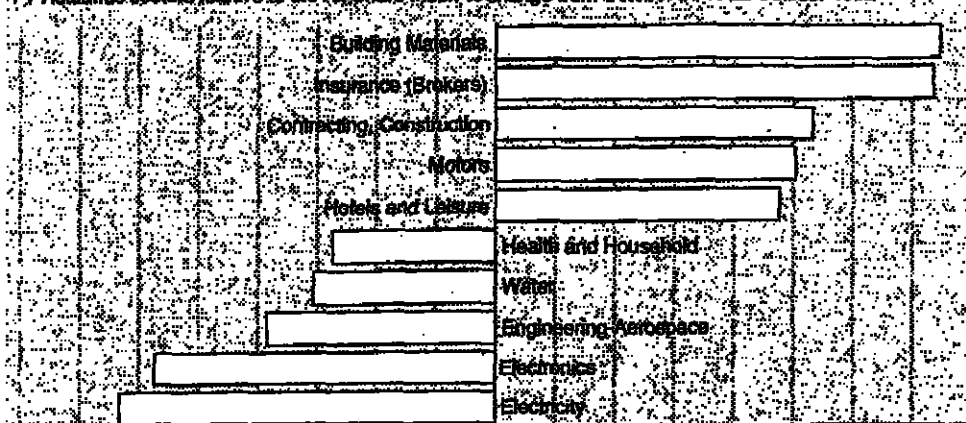
That assurance, combined with signs that German and other European interest rates are at last poised to start falling, was sufficient to boost the FTSE-100 by 105.8 points in the course of the week, sending the market to its highest level since the surge last month caused by Britain's withdrawal from the Exchange Rate Mechanism.

There was some debate as to whether this constituted yet another U-turn in government policy, or merely, as the Treasury would have it, a change of emphasis. But there was no doubt in the City that the government now sees deflation as posing a greater short-term threat to the economy than inflation.

The immediate consequences are likely to be further cuts in UK interest rates and a vigorous effort to protect capital projects from the current round of spending cuts. Public sector pay will be held down, but it now looks as if infrastructure projects such as the Jubilee Line extension will go ahead. Treasury rules concern-

Best and worst performing sectors

FT Aquinas sectors relative to the All-Share Index % change from October 19 to 22 October 1992



ing private sector investment in roads and railways will also be relaxed.

As the accompanying chart illustrates, these rays of hope shone most kindly on the bombed-out cyclical sectors: buildings materials, property and construction. Concern that a relaxation of monetary policy would result in higher inflation had an adverse effect on defensive, high-yield sectors such as water and electricity.

In the case of electricity, there was also a strong suspicion that the horse-trading which is about to start over the future of the pits will lead to the industry being obliged to take more of the expensive, deep-mined British coal than it wants. Four of the week's seven worst-performing FTSE-100 stocks were from this sector: Powergen, National Power, Southern Electric and Scottish Hydro-Electric.

The new FTSE Mid 250

index, which captures the performance of the medium-sized companies below the FTSE 100, illustrated how shares in smaller companies tend to lag swift changes in market sentiment. When the FTSE 100 jumped 54.8 points on Tuesday, the Mid 250 rose only 26.7. But when the FTSE 100 increased by 26.7 points on Wednesday, the Mid-250 surged ahead by 53.8. The second-line stocks continued to catch up on Thursday, when a 12.5 point increase in the FTSE 100 was outstripped by a 30.4 rise in the Mid 250.

Any doubts about the need for a change in business sentiment would have been dispelled by a grim survey from the British Chambers of Commerce, which said companies suffered from a "deeply disturbing" slide into a second leg of recession last month, and no quick turnaround was likely.

Meanwhile, Hanson, the Anglo-American conglomerate, published its formal offer document for Ranks. Hanson's £780m cash bid is the first sizeable hostile takeover in the UK stockmarket for months.

RFM has countered with a plan to demerge the group into three companies, which it says will increase value for shareholders. Analysts believe that taking the demerger route is more likely to increase the price offered by Hanson than a straight bid defence, at a time when profits in the UK mining and baking industry are under severe pressure.

However, most observers in the City believe RFM will succumb to any increased offer from the acquisitive conglomerate. An important consider-

ation is that Hanson, having tangled unsuccessfully with ICI last year, may well be willing to pay a premium to regain its credibility as the efficient takeover machine of old.

This week Peabody Coal, a subsidiary of Hanson, paid \$200m (£122m) for the profitable Australian coal mining business of Costain, the UK construction group. Hanson also said it would look at British Coal if it was offered for sale, although it believed privatisation was a long way down the road.

Connoisseurs of the government's ever-developing energy policy may recall that Hanson spent a month in 1990 negotiating with the government to buy Powergen, before the electricity generator was privatised. The talks failed, but many commentators believed the threat of Hanson's involvement had a strong effect on Powergen's management, increasing their willingness to take more debt on to the company's balance sheet.

If some of the 30,000 miners' jobs still at risk are to be saved, the government's review will have to find ways of subsidising the cost of the deep-mined coal they produce. Peabody, which operates open-cast and deep-mine coal mines in the US, is one of Hanson's core businesses which the conglomerate wishes to expand. The Australian purchase was the first large acquisition outside the UK by Peabody.

Could the government be tempted to offer sufficient incentives to tempt a group such as Hanson to take on the problems of British Coal? Perhaps Arthur Scargill's miners are not so far removed from the stock market, after all.

Serious Money

Dividends: it's time for caution

By Philip Coggan, Personal Finance Editor

DOOMSDAY for dividends? That is the sombre title of a new review of the investment trust sector from County NatWest's gurus Hamish Buchan and Robin Angus.

The premise is that the cuts in dividends which have been occurring across the UK corporate sector have yet to be felt by investment trust shareholders. There is a natural lag in the system, with trusts still paying out dividends earned in 1991 and early 1992. But the corollary is that trust dividends will really start to show the pain in 1993.

Some may be able to meet the deficit by drawing on their revenue reserves (which is what reserves are for). But other high-yielding trusts may have few reserves to draw on. They might therefore try to maintain dividends by buying high-yielding securities, at the expense of capital performance.

In short, the investment trust sector cannot escape the pain being suffered in the real economy. County points out that UK corporate dividends fell in nominal terms in the year to August, for the first time since 1987. Meanwhile dividend cover - the ratio of corporate earnings to dividend payments - has slumped to well under two, below the historical average. This implies that, even when profits recover, dividends will not grow in line.

Before this sounds too gloomy, one should emphasise County's view that "there is no cause for undue concern about the large diversified trusts or income trusts." For example, Foreign & Colonial, the biggest trust in the sector, is given a "strong" dividend rating by the County team.

One should also point out the problem highlighted on Page 11, namely that returns from building societies are falling. With bonus cuts in the life industry and the unit trust

also facing dividend payment problems, private investors should not be frightened away from investment trusts altogether; the sector might still offer better returns than the other options.

Investors have to learn that returns across the savings field are likely to be lower for the next few years than they were in the 1980s. Single rather than double digit returns may be the norm.

So the best strategy might be to make switches within the investment trust field, rather than to abandon the sector altogether. Back in April, I suggested that those who had opted for the M&G Income Investment Trust in the 1991-92 tax year might consider

'Investors should not be frightened away from investment trusts'

a transfer, now that the rules have changed to allow a full 25,000 PEP allowance to be placed in an existing, rather than merely a new issue, trust. The argument still applies.

The M&G trust stands at a 9 per cent premium to its asset value; you can buy perfectly respectable long-standing trusts at a 10 per cent discount. A switch might result in a temporary loss of income, but it should boost the long term prospects for both income and capital growth. Sadly, the market has moved against you. In April, you could have made the switch and still have seen a profit on the 100p issue price; yesterday morning, however, the packaged units were down to 95p.

Which trusts should you switch to? County NatWest cite a number of trusts which rank as "strong" dividend payers, including Electric and General, Foreign and Colonial, Smaller

Companies, River & Mercantile Extra Income and Value & Income. All the above stand at a discount and qualify for the full 25,000 PEP. But a stockbroker should be able to advise you on the most suitable trusts and the transfer costs.

Another part of the investment trust sector which came under scrutiny this week was zero coupon preference shares. These have been popular with private investors, because they offer the prospect of tax-free gain (for those who do not use up their annual CGT allowance).

In a new report, Smith New Court argues that the market has failed to give sufficient weight to portfolio yield when valuing stocks. The argument is similar to County NatWest's. The assets of most split capital investment trusts have to grow substantially to repay the zeros. If the trust's portfolio consists of high-yielding assets, then such capital growth might be impossible. So the higher the portfolio yield, the worse for the zeros.

After assessing these factors, Smith New Court cites the zeros of the following trusts as "very good value": Exeter Preferred, Finsbury Growth, New Throgmorton, Sphere and TR Technology. The following zeros are ranked as "dear": Abtrust Preferred, Contra-Cyclical, EFM Income, Exmoor Dual, Ollim Convertible and Scottish National.

Such is the complexity of these instruments that private investors with large lump sums should take expert advice from a stockbroker before plunging into the sector.

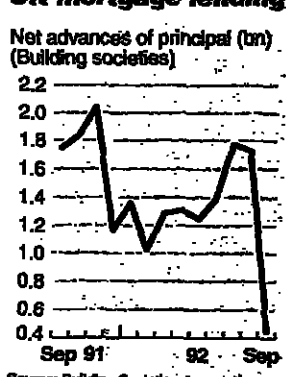
But the smaller saver who is investing £50 a month into a large general trust, via a pensions scheme, should not be too panicked by all these calculations. Provided they are saving for the long term - at least five years - the investment trust remains one of the cheapest and most attractive vehicles in the market.

HIGHLIGHTS OF THE WEEK

	Price	Change	1992	1992	
	£/share	on week	High	Low	
FT-SE 100 Index	2569.7	+105.8	2737.8	2281.0	Government-for growth
Baltic	54	-30	124	54	Losses and cut dividend
Barclays	340	+23	410	274	Hopes of base rate cut
Berkley	261	+25	345	188	Firm housebuilders
Cowie (T)	142	+20	186	99	Interest rate cut hopes
Fisons	229	+30	403	143	BZW "buy" recommendation
GKN	415	+38	444	281	US expansion plans
GEC	243	-10	259	183	Kleinwort "take profits"
Ocean Group	191	-25	357	170	Profits downgrading
P & O Dred	438	+42	555	296½	Interest rate hopes
Rank Organisation	571	+57	772	444	Leisure stocks recover
Redland	352	+38	565	300	Interest rates/recovery hopes
Royal Insurance	215	+35	273	118	Market weighting/Leah "buy" note
Southern Electric	380	-24	412½	270	Dividend increase fears
Walsley	427	+92	479	287	Results, strong construction

AT A GLANCE

UK mortgage lending



Building societies suffer one of worst months ever

Building societies had one of their worst months ever in September. Business was sharply down for both savings and mortgage lending activities. The accompanying graph shows the sudden drop in mortgage lending which fell last month to £446m, down from roughly £1.7bn in each of the previous two months. The figure was the lowest monthly total since 1982 and was exacerbated by the end of the stamp-duty holiday in August. There was also a net savings outflow of £204m last month compared with an inflow of £227m in August.

Those struggling with their mortgage payments can refer to a new book produced by the Child Poverty Action Group, "The Rights Guide for Home Owners" which gives homeowners details of schemes to help those in difficulty. The guide is available for 98.95 (incl p&p) from CPAG, 4th floor, 1-5 Bath St, London EC4V 9PW.

Hammerson to cut dividend

Interest rates may be falling, but the troubles of the property sector are far from over. This week, Hammerson, one of the biggest companies in the sector announced plans to cut the final dividend from 17p to 6.5p, although the interim dividend is being maintained. Sidney Mason, chairman, said the recession was "both deeper and longer than any in living memory."

Cut in investment trust PEP charge

Murray Johnstone, which cut initial charges on its unit trusts PEPs last week, this week reduced charges on its investment trust PEP. The initial charge has been reduced to £35 plus VAT, instead of 1.5 per cent plus VAT. The annual charge is £35 plus VAT, or 1.25 per cent plus VAT, whichever is the lower. Thomson Dresner has launched a European Bond Fund, which invests primarily in European government securities. The estimated initial gross yield is 8 per cent. The initial charge is 5 per cent, though there is a 1 per cent discount until November 30. The annual charge is 1 per cent and the minimum initial investment is £500.

Childcare help leaflet

The Inland Revenue has produced a new leaflet "Tax and Childcare" which is in three parts. The first explains the tax rules on childcare for working parents; the second tells employers how they can get tax relief for providing child care; the third part explains when National Insurance contributions must be paid on childcare allowances. Leaflet IR115 is available free of charge from local tax offices.

Tax return reminder

If you have not yet filed your tax return form for 1991-92, you have until October 31 to do so. The Inland Revenue may charge interest at 9.25 per cent on the amount outstanding after this date.

Cheer for smaller companies

Small company shares joined in the general euphoria of the equity market this week, as the government emphasised its plans to "go for growth". The County Small Companies Index rose 1.8 per cent to 831.03 (£15.94) over the week to October 22, while the Hoare Govett Index (capital gains version) rose 2 per cent from 1064.8 to 1075.56 over the same period.

Wall Street

A Clinton chiller for the bond markets

"PRESIDENT Clinton?" said the headline on the newsstands earlier this week. Although the latest polls suggest the question is increasingly rhetorical, the thought of a fiscally assertive Democrat in the White House is sending chills through the US bond market, if not the rest of Wall Street.

So heavily have Treasury investors been selling government securities lately that, since the start of the month, the yield on the benchmark 30-year bond has risen more than 30 basis points to above 7.6 per cent, reversing a steady, if unspectacular, seven-month decline in market interest rates.

The sell-off in bonds reflects the fears of fixed-income investors that if Bill Clinton is elected president, his fiscal stimulus programme could send interest rates, and possibly inflation, sharply higher.

There is nothing surprising in this, except perhaps that the bond market has taken so long to wake up to the likelihood that the country will have a new president.

What is surprising, however, is the equanimity with which

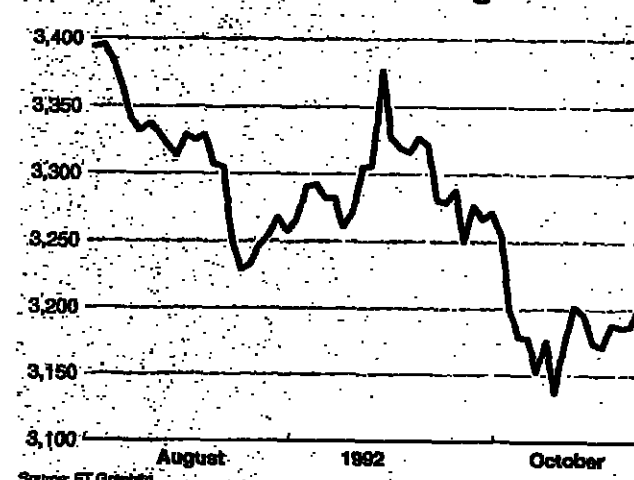
equity investors have greeted the turmoil in the Treasury market.

The stock market has displayed a remarkable resilience over the past few weeks in the face of three potentially unsettling factors: rising bond yields (which are usually bad for stocks because higher interest rates stifle economic activity and make bonds look more attractive); the continued likelihood of not just a Democratic victory, but quite possibly a Democratic landslide; and a third quarter corporate reporting season that has brought more than its fair share of surprises, some good, but many bad.

In spite of distractions, stocks have more than held their own, and have even posted some modest gains. The market's record, in fact, has been better than it looks, primarily because the headline-grabbing Dow Jones Industrial Average has been distorted by heavy losses in several influential stocks.

IBM, Merck, Westinghouse and United Technologies, four of the Dow's biggest constituents, have all suffered over the past days by unexpectedly

Dow Jones Industrial Average



poor or disappointing earnings. IBM's figures were particularly disappointing, sending the stock this week to its lowest level in more than a decade.

Other measures of stock price performance, meanwhile, such as the Standard & Poor's 500, the Nasdaq composite of over-the-counter stocks, and the Dow Jones Transportation Average, have all put in a

strong showing. The transportation average, widely seen as a useful leading indicator of economic conditions, recorded its highest close since early August on Thursday after an impressive one-day gain, a sign to analysts that the wider market may also be rising soon. The S&P 500 has been on a roll since early October, heading towards its year high and

gaining the equivalent of about 100 points on the Dow, while the Nasdaq composite has been in equally fine form.

There have been other, technical, signs of strength in the market. The fact that trading volume has been unusually high - more than 200m shares have been traded each session for the past six days - suggests that investor interest in the market may be reviving. In recent days volume has been especially heavy on "upticks" (moments when stocks are rising), a traditionally bullish sign to those hawk-like analysts who watch the ticker every day.

The derivatives markets in Chicago also has something to say about the outlook for equities. Stronger demand for stock-index call options than for stock-index put options might, at first glance, seem negative for the market. After all, anyone who buys put options is betting on share prices to fall. But to contrary-minded investors, the level of bearishness indicated by a high put-call ratio is a happy portent. It implies pessimism about the market may be close to peaking, which for the

brave is always a good moment to buy stocks.

While few are suggesting that the market is poised for a major advance, if stocks can survive what remains of the corporate earnings season, and the final week and a half of the election campaign, relatively unscathed, then the foundations for an upbeat ending to the year may be in place.

There is even the possibility that investors might actually celebrate a Clinton victory after November 3. The bond market may not like his plans for big increases in government spending and middle-class tax cuts, but to equity investors frustrated by President Bush's willingness to do anything positive to end the economic malaise, the thought of a substantial fiscal boost for the economy is more than welcome.

Patrick Harverson

Monday	\$198.45	+14.04
Tuesday	3198.02	-2.43
Wednesday	3197.10	+1.06
Thursday	3200.88	+13.78

The Bottom Line

Looking into a black hole

IN A WEEK in which the UK Prime Minister has signalled that he wants more private investment in roads and railways, British and French shareholders have been asked if they want to put more cash into the biggest private transport project of all.

Stockholders in the Channel tunnel have until November 15 to exercise warrants offering them more shares in the project which has risen in cost since 1987 from \$4.8bn to more than \$2bn. If all the warrants were exercised, Eurotunnel would raise a further £100m.

But as Eurotunnel itself makes clear, the warrants are at present virtually worthless. The offer works out at around \$4.50 per share. At last night's close, Eurotunnel shares stood at £3.50.

Even allowing for the easy dealing facility offered by Eurotunnel, that makes it much cheaper for shareholders to buy shares in the market than to exercise the warrants in three weeks' time.

Leaving aside the question of the warrants, should shareholders be considering putting any more money at all into a

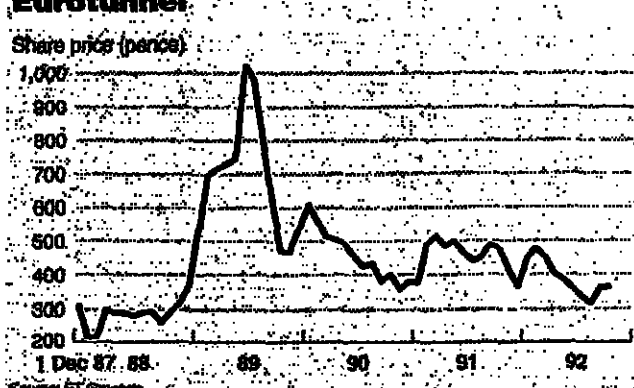
company which has still to agree with its contractors and bankers over how much extra the tunnel is going to cost, and who is going to pay for it?

It is exceptionally difficult to put a value on a company which is still more than 12 months away from producing its first pound of turnover. Profits and dividends, on the most optimistic forecast, are unlikely to appear much before the turn of the century.

The project is currently in technical breach of its loan covenants. In this situation there is a great risk that the patience of bankers will snap and they will either take over the development or demand substantial equity in return for their continued support.

Analysts calculate that the group will need to raise at least £500m more after the tunnel opens. This would be in addition to £1.5bn of equity

Eurotunnel



and more than \$7bn of loans committed already.

Investors, with no historic yield or price earnings ratio to guide them, can only rely on forecast revenues and dividends up to the year 2041, when Eurotunnel's concession to operate the Channel tunnel

ends. Projections by Eurotunnel, its critics, bankers, and independent stockbrokers depend crucially upon what view is taken of the outlook for interest rates and inflation over the next 50 years. Stockbrokers Barclays de

Zoete Wedd have devised a computer model to project the future value of Eurotunnel's shares. It says that a movement of just a quarter of a percentage point in average inflation over the period could equate to a 30p difference in the group's current share price - just over 8 per cent of Eurotunnel's market value.

Investors must thus consider forecasts of future traffic flows, fare increases, likely operating costs, interest charges, revenue and dividend projections. They must then make allowance for the fact that their money will be idle for several years before they receive the first dividends.

The way to do this, and to take account of operational risk and the effect of inflation on future dividends, is to recalculate future earnings in today's money. Eurotunnel has chosen a dis-

count rate of 12 per cent, which would normally be applied to a low risk utility with a secure and easily identifiable stream of income.

Some analysts believe that this discount rate is too low, given that revenue in the first 18 months is likely to be less than previously forecast due to delays in opening and late delivery of trains.

BZW's median case, based on a 12 per cent discount rate, suggests that Eurotunnel shares are currently worth £2.36. This should rise to about £7.40 by 1998. Schroders, in a recent circular, valued the shares "at no more than 320p."

At this level there is little attraction for new shareholders unless they believe that British and French inflation will be higher and interest rates lower than the market presently expects.

Private shareholders who bought right at the beginning will have travel concessions. Whether they decide to sell or hold will depend upon what value they put on these.

Andrew Taylor

FINANCE AND THE FAMILY

Savings: where to find the best returns

Investors are faced with lower rates. Philip Coggan and Scheherazade Daneshkhu guide you through the maze

HOW MUCH interest are you getting on your savings? The answer could be: less than you think.

An instant saver account from Abbey National pays just 6.15 per cent gross (4.61 per cent net) on sums between £5,000 and £9,999. If you have more than £25,000 in Lloyds Bank's 30 day notice account, you get just 6.2 per cent gross - 4.65 per cent net if you are a basic rate taxpayer and 3.72 per cent net if you are a top rate payer. Those with £5,000 in Barclays Select (a 90 day account) are getting 5.8 per cent gross; a net 4.3 per cent or 3.36 per cent respectively for basic and top rate payers.

Most savings accounts normally offer a lower return than the prevailing level of base rates. Now that base rates are 8 per cent, double digit savings returns are hard to find. To get anything more than 8 per cent, you will need a large sum or you will have to look in other places than the very largest banks and building societies. And even then, you will probably have no guarantee that the rate will stay competitive.

Those who stick with an instant access account at a big bank or building society, may well find that their net returns are not much better than inflation (currently 3.6 per cent).

That may not be all the bad news. There was speculation this week that base rates may have to fall to 6 per cent, if the government is to kick start the economy. Such a change would result in savers' incomes falling by a quarter.

So what are the best returns at the moment? Moneyfacts has provided us with its normal weekly table of highest rates (on Page IV) but we also asked it to tell us the returns available from banks and building societies on £10,000, £25,000 and £50,000.

On an instant access account, Moneyfacts points to the Scarborough Building Society (0800-590578) which is paying 9.85 per cent gross and the Bristol & West (0800-100117), which offers 9.65 per cent. These rates are better than any notice account, where the top rate is City & Metropolitan's 80 day account (081-464-0814), paying 9.5 per cent.

Those who want a fixed rate can get 9.87 per cent gross from the Ben-

eficial Bank (021-633-4400), or 9.0 per cent from Portman BS (0202-292444). Both have a one year fixed term so should not be chosen by those who might wish to withdraw their money early.

Colin Jackson, of Baronworth Investment Services, (081-518-1218) has details of a Tessa which will pay 9.3 per cent for those prepared to invest a lump sum of £8,550. After five years, this sum will turn into £13,061.

■ £25,000
Scarborough and Bristol & West also offer the best instant access rates at this level. The former is offering 10.1 per cent gross, and the latter 9.75 per cent.

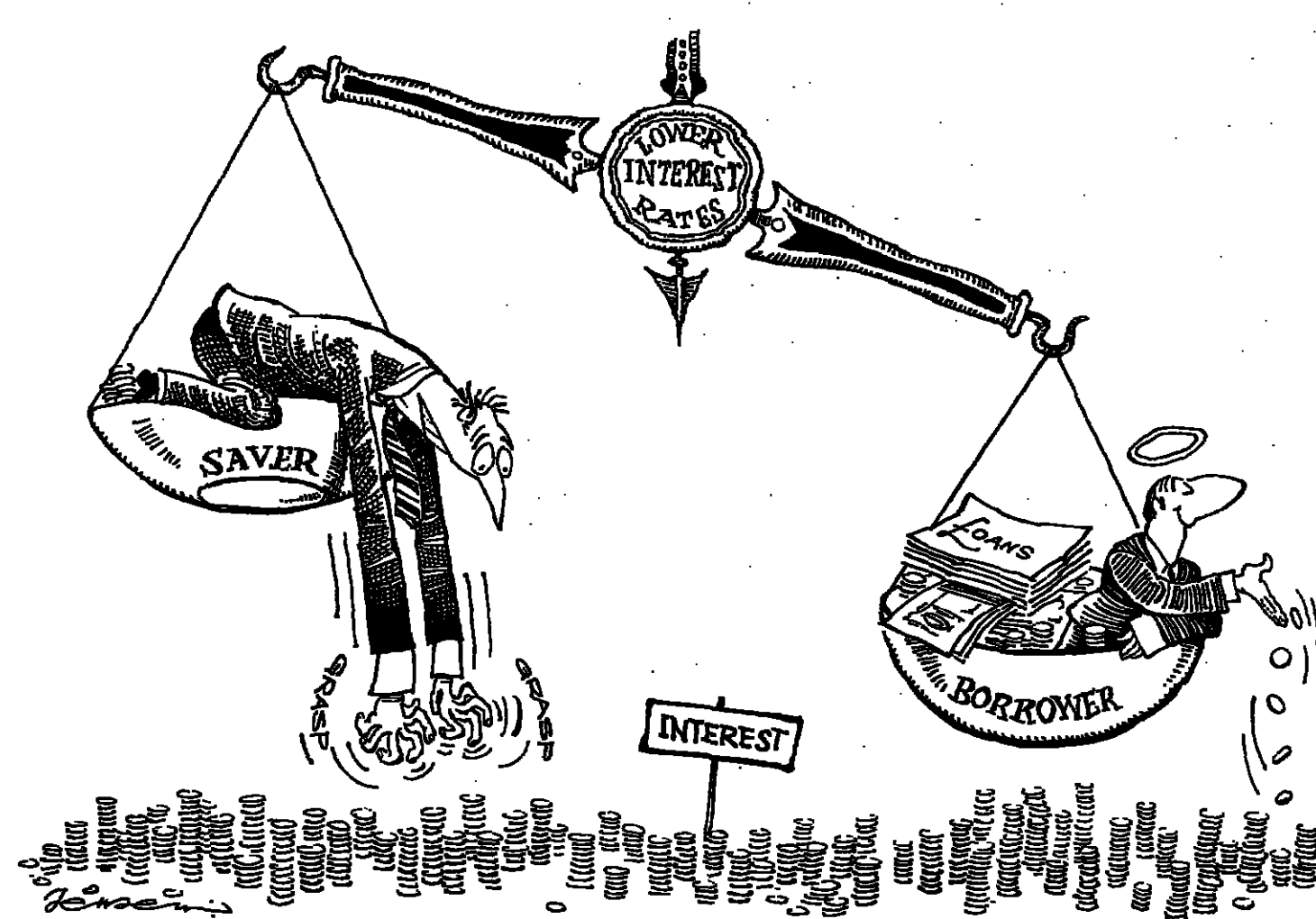
On notice accounts, Moneyfacts points to the Cheshire BS (0800-243278) which is paying 10 per cent on its 100 day account. The Beneficial Bank again leads the fixed rate field at this level, with a rate of 10 per cent gross.

■ £50,000
The best instant access returns at this level are provided by the Scarborough (10.15 per cent gross) and by the Leeds & Holbeck BS (0832-438253), at 9.8 per cent. The 100 day account from Cheshire BS pays 10.5 per cent on £50,000, with this rate fixed until the end of the year. Beneficial Bank also pays a 10 per cent fixed rate on £50,000 for those prepared to invest for the one year term.

What about the rule that higher reward means higher risk? It is a thin line between shopping around for the best rate and taking an unnecessary risk with your savings.

The Weekend FT cannot vouch for the safety of any financial institution and any mention on these pages does not imply a recommendation. Investors can study the accounts of the quoted institutions, but many deposit-takers are privately-owned. And as the Bingham report showed this week, one can't rely on the regulatory bodies to protect the investor.

The investor's main protection is the Deposit Protection Act, which guarantees 75 per cent of the first £20,000 sterling deposits; is a maximum protection of £15,000. The building society protection scheme covers 90 per cent of the first £20,000, equivalent therefore to a maximum limit of £18,000. So those who invest more than £20,000 with one institution should be aware that they are taking on a slightly higher risk.



The good news for bank and building society depositors is that there are other choices which provide higher, or in some cases more certain, returns.

■ National Savings
Although rates on National Savings products have fallen in recent months, they still offer safety and tax efficiency. The 98th issue certificates pay 6.75 per cent tax-free if held for five years, equivalent to a 9 per cent gross return for basic rate taxpayers and an 11.25 per cent return for top rate payers.

Non-taxpayers will find Capital Bonds more suitable, since interest is paid gross. The present Series F pays 9 per cent compound when held for five years.

The First Option bond, which is aimed at basic rate taxpayers, is offering a rate of 6.5 per cent net

over one year, on a minimum of £1,000. This compares favourably with, for example, Abbey National's instant saver account, paying 4.35 per cent net. Those who want to put away £20,000 or more in the First Option Bond will earn a slightly higher rate of 6.8 per cent net.

But perhaps the most attractive deal at the moment is offered by the index-linked certificates, which pay a tax-free 4.5 per annum over the retail price index, when held for five years.

Inflation would have to average under 2.25 per cent over the next five years for the 39th issue to beat the rate on the index-linked certificates. And if inflation stayed at the current level of 3.6 per cent for five years, the return would be 8.1 per cent - the equivalent of 10.8 per cent for the basic rate payer and

13.5 per cent for the top rate payer. The snag is that these certificates do not pay income. It is possible to create an income flow by cashing in certificates early, but this reduces the return. Indeed, savers should be aware that returns on these certificates will be meagre if cashed in within the first two years.

There is an income-producing product from National Savings, but rates are variable. Income bonds pay a gross variable rate of 9 per cent but this will decrease to 8 per cent gross from November 5.

■ Gilts
These also rank high on the safety front, since they are bonds issued by the government. They pay a fixed rate of interest, so investors are protected against falling rates.

Gilt yields have fallen substantially in recent weeks, but it is still

possible to lock in to rates at over 8.5 per cent. The cheapest way to buy gilts is via the post office, although this may be slower than via a stockbroker. Yields could fall while the deal is going through.

It is the tradeability of gilts which makes investing a tricky business. Most gilts have a face value of 100, and you can be sure of receiving that sum if you wait until the gilt is repaid by the government. But if you need to sell before the repayment date, you may not get your capital back.

Indeed, the vast majority of gilts currently trade at above the face value. For example, on Friday morning, the Treasury 13 per cent 2000 was trading at 126%. If you bought the issue at that price, you would get a gross annual income of £10.27 for every £100 you invested.

But if you held the gilt till the year 2000, you would lose a fifth of your capital, which reduces the redemption yield to 8.26 per cent.

■ Guaranteed income bonds
These are issued by insurance companies and offer a fixed rate of return, paid after deduction of basic rate tax. An element of safety is built in by the Policyholders Protection Act, under which 90 per cent of a policyholder's investment is protected. However, rates are pretty low at the moment, so a substantial sum is needed to beat base rates. Liberty Life, for example, is offering 7.35 per cent net (the equivalent of 9.8 per cent gross) to those who invest £50,000 for three years (more details on Page IV).

■ PIBS
Permanent interest-bearing shares (PIBS) are a relatively new form of fixed interest investment, available from building societies as a way of raising capital after legislation was passed in June last year.

Their main advantage is the relatively high rates of fixed interest they pay. For example, when Britannia building society launched its second tranche of PIBS earlier this month, the shares carried a fixed coupon of 13 per cent and a yield at issue of 12.14 per cent. The yield yesterday was 11.89 per cent.

This rate is higher than for gilts - but not without reason. It reflects the increased risk of buying shares backed by a building society rather than the government.

There are a number of other drawbacks. The shares are unlisted, which means that the building society is not under obligation to pay back the original capital (unless it is wound up). You would therefore have to sell your shares in order to encash them and this can only be done through a stockbroker, who will charge commission.

The minimum denomination is usually quite high since PIBS are aimed mainly at the institutional market. Cheltenham & Gloucester, for example, which launched an issue this week, had a minimum holding of £50,000. However, the minimum holding in Britannia's issue is £1,000.

PIBS are deeply subordinated, which means that in the event of a wind-up you would be behind depositors in the queue for compensation. And if one PIBS issuer got into difficulty, prices might fall across the sector. They should therefore be handled with caution.

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FINANCE AND THE FAMILY

Lower mortgage rates filter through

Lenders are trying to entice first-time buyers, says Scheherazade Daneshkhu

Banks and building societies offered a flood of lower mortgage rates this week, the markets having finally digested last week's base rate cut. It followed the trickle from Abbey National and a few others last week.

None matched the Bank of England's one percentage point cut. Most lowered rates by around 0.7 of a point.

Since Cheltenham & Gloucester already had one of the lowest standard variable rates on the market, its 0.7 point cut pushed its new rate down to 9.05 per cent, undercutting the competition.

Norwich & Peterborough lowered its rate to 9.2 per cent while lenders which cut rates to 9.25 per cent this week included National Westminster, Bradford & Bingley, Chelsea, Confederation Bank, First Direct, Midland, TSB, West Bromwich and Yorkshire Building Society.

Most are with immediate

effect for new borrowers and from December 1 for existing customers. Midland's rate is available from Monday for new borrowers and TSB is applying the new rate to all borrowers from December 1.

Nationwide, Halifax, Barclays and Alliance & Leicester lowered rates to 9.29 per cent immediately for new borrowers with existing customers having to wait until December 1. Lloyds Bank and Woolwich building society settled on a cut to 9.3 per cent, with Lloyds new rate available on November 30 for all borrowers and Woolwich's rate on offer immediately for new borrowers and December 1 for existing customers. Scarborough reduced its rate to 9.35 per cent.

Most lenders are offering discounted rates to entice first-time buyers. Those of particular note include Woolwich's rate of 6.95 per cent held for one year for new buyers on loans of over £50,000. There is no arrangement fee but the rate is

only available on pension or endowment mortgages and buildings and contents insurance has to be taken out with the society.

Barclays is offering a one-year capped rate of 6.99 per cent for new buyers with an arrangement fee of £250 and the obligation to take out a full-term life policy if the mortgage is on a repayment basis.

National & Provincial has a guaranteed rate until January 1 1995 of between 7.5 per cent and 7.99 per cent for new borrowers depending on the size of the loan. The arrangement fee is £150 and buildings and contents insurance has to be taken through N&P.

New fixed rate mortgages include 7.5 per cent for two years and 7.99 per cent for three years from Yorkshire Building Society, available on all types of mortgages. Borrowers will have to pay a £175 arrangement fee and take out the society's buildings and

contents insurance. The early redemption penalty is three months interest within the fixed rate period.

A fixed rate of 6.2 per cent on all types of mortgages of £50,000 and over is being offered by Norwich and Peterborough but the rate is only held until May 1 1993. There is a £95 fee and buildings insurance has to be taken out with the society.

TSB has brought out a two-year mortgage capped at 7.5 per cent for two years, available on endowment loans with a £250 fee and two fixed rate mortgages - a three year rate fixed at 7.55 per cent and a five year fixed rate of 8.25 per cent, which can be taken out on both repayment and endowment mortgages. The fixed-rate loans carry an arrangement fee of £195.

Halifax is also offering a longer term fixed rate mortgage of 8.25 per cent held until January 1 1997 on all types of mortgages with an

arrangement fee of £250 and early redemption penalties.

Chelsea's rate of 7.95 per cent fixed until December 31 1994 is not tied to the sale of insurance related products and is available on all types of mortgage. The arrangement fee is £195. The early redemption penalty is three months interest in the period of the fixed rate; otherwise it is one month.

Northern Rock has brought out a two-year stepped fixed rate mortgage. The rate is pegged at 6.99 per cent until November 1 1993 and then at 7.99 per cent until January 1 1995.

The arrangement fee is £150, buildings and contents insurance has to be taken out with the society and there is an early redemption penalty of three months interest.

New capped rate mortgages are offered by TSB with a rate capped at 7.5 per cent for two years, available on endowment loans with a £250 fee.

The Week Ahead
Wellcome under scrutiny

Wellcome, the UK pharmaceuticals group, reports its full-year results on Wednesday. Few surprises are expected and pre-tax profits of between £500m and £550m are forecast (£402.9m last year).

Sales of Zovirax, its herpes, shingles and chicken pox treatment, should have topped £500m for the year, putting it in the world's top ten selling drugs for the first time.

Wellcome's margins will also be under scrutiny. The new management has undertaken to increase margins to 30 per cent by 1996. Analysts believe they should improve 2.4 percentage points to about 27 per cent this year.

Imperial Chemical Industries, Britain's biggest manufacturer, announces its third quarter results on Thursday. They will be watched even more carefully than usual because of the proposed split of the company next year into two separate groups. Pre-tax profits are likely to be grim, at around £100m compared with £190m last year.

Most analysts' predictions for next year are based on an upturn in the cycle. A gloomy forecast from Sir Denys Henderson, chairman, is likely to lead to further downgrades.

Marks and Spencer, which singlehandedly accounts for some 30 per cent of the market capitalisation of the stores sector, is likely to make some encouraging noises about its trading prospects when it reports its interim results on Wednesday.

Against a background of ambivalent signals about the state of consumer spending, M & S's views will be seen as being of critical importance in gauging sentiment towards the sector.

Stringent cost control measures will have enabled the company to lift pre-tax profits by as much as 16 per cent to £250m. The company's aggressive "Outstanding Autumn Value" advertising campaign is also likely to add to its confident mood.

However, M & S's food business, which accounts for 40 per cent of sales, will have continued to face severe competitive pressures.

Blenheim Group, the exhibitions manager, is expected to announce pre-tax profits of about £34m for the year to 31 August when it announces second interim results on Tuesday.

Analysts will be watching for signs Blenheim's recent rapid growth is slowing, and for the trading outlook in its important French market.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share	Market price	Price of bid	Value of bid	Shareholder
Bylandt	5.4	3 1/2	4 1/2	7.50	Abbot Hodge
Cash May Rob.	33	33	34	124.85	AAH Hodge
Continuum Stat.	40	36	34	6.80	Prontaprint
RHM	220	240	175	782.2	Hanson
TVS Entertainment	25	21 1/2	18 1/2	15.50	Int Family Est
Do. Prof.	45	43	38	22.50	Int Family Est

*All cash offer. †Cash alternative. ‡For capital not already held. ††Unconditional. ‡‡Based on 2.30 pm prices 18/10/92. 98 Shares & cash. † Price at suspension.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings per share (p)	Dividend per share (p)
Alwoods	Jul	36,800 (38,700)	8.06 (12.4)	5.0 (5.0)
Castle Combe	Jun	1,350 (782)	10.4 (8.0)	8.5 (8.5)
Credley Group Hodge	Jun	1,050 (807)	2.1 (1.8)	1.05 (1.0)
Dunton Group	May	803 L (4,450 L)	-	-
Essex Furniture	Jun	727 (497)	5.03 (3.25)	2.75 (2.25)
Ex-Landis	Jun	65 (8 L)	0.1 (0.05)	-
Essex Coal Inv	Aug	949 (978)	1.88 (1.95)	10.55 (10.5)
Ferry Pickering	Aug	674 (2,280)	4.41 (12.7)	5.5 (5.5)
Fisher (Albert)	Aug	52,100 (89,000)	5.6 (10.0)	3.75 (3.75)
London & Stratford	Aug	1,710 (1,770)	5.74 (5.74)	5.75 (5.75)
Lowland Inv Co	Sep	2,770 (2,730)	5.75 (5.73)	8.75 (8.75)
McKee	Jul	24,100 (19,800)	32.1 (27.0)	14.75 (14.75)
Midlands Group	Apr	4750 L (806 L)	-	-
Murray Spill Capital	Aug	1,030 (1)	12.83 (1)	11.8 (1)
NY Holdings	Aug	2,020 (547)	3.47 (1.69)	1.0 (0.9)
New Cerebral Est	Jun	389 (28)	2.17 (0.2)	-
Peterborough Zinc	May	26,800 (25,400)	33.8 (32.2)	11.45 (10.4)
Pearman	Jun	735 L (2,670 L)	-	-
Royal Hotel	Dec	844 L (11,700 L)	-	-
River & Merc Extn	Sep	2,610 (2,710)	7.07 (8.21)	7.87 (8.24)
Sunlife Industries	Jul	102,200 (109,800)	28.3 (32.5)	11.25 (10.7)
Walsley	Jul	91,300 (80,300)	28.3 (23.5)	12.5 (12.1)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividend per share (p)
Abstract New European	Aug	163 (192)	1.0 (1.0)
Abrown Securities	Aug	580 (60)	-
Alexander Workwear	Jun	572 (347 L)	1.8 (1.8)
Anglo St James	Jun	289 L (498 L)	-
Baltic	Jun	2,730 L (3,520)	0.5 (1.53)
Belle Holdings	Aug	70 L (403)	0.5 (2.0)
Boat (Henry)	Jun	2,210 (2,070)	1.6 (1.6)
Broomers Ltd	Jun	2,050 (1,670)	1.15 (1.07)
British & American	Jun	597 (980)	3.8 (3.37)
Brooks Service	Jun	104 L (338)	2.5 (1.3)
Cambridge Property	Jun	3,200 (2,370)	36.8 (26.8)
City of Oxford	Sep	713 (527)	1.2 (1.2)
Craig & Rose	Jun	134 (40)	2.0 (2.0)
Edinburgh Inv Tr	Sep	17,800 (19,100)	2.85 (2.85)
English National	Sep	320 (301)	5.0 (5.0)
Essex Water	Sep	9,400 (9,500)	36.5 (36.5)
Farnell Elec	Jul	15,400 (13,300)	2.5 (2.5)
Ferguson Ltd	Aug	4,700 (4,170)	4.25 (4.25)
Finbury Ltd	Sep	489 (430)	1.2 (1.2)
First Maryland	Sep	37,800 (29,600)	-
Forward Tech	Jun	598 L (655)	-
Gardner & National	Oct	530 L (487 L)	1.0 (1.0)
Gleaves Group	Jul	23,300 (31,100)	3.5 (3.5)
Hammerston Property	Jun	1,390 L (179)	-
Hawthill Whiting	Jun	51 (179)	3.0 (3.0)
House of Larcos	Jun	13,450 (15,900)	4.0 (4.0)
Hunting	Sep	721 (72)	1.0 (1.0)
ISS UK Smaller	Jun	1,150 (1,100)	-
La Crosse	Sep	70 (647)	0.78 (0.78)
London Atlantic	Sep	23,800 (58,000)	-
Marine Midland	Jun	1,800 L (1,000 L)	-
Midland & Scottish	Jun	734 (1,750)	1.5 (1.5)
New Throgmorton Tr	Sep	1,230 L (278)	-
Quadrant Group	Jul	4,850 L (940)	-
Radford	Aug	21 L (33)	-
Scottish Mortgage	Sep	3,110 (3,190)	1.0 (1.0)
Shelley	Sep	689 (587)	1.4 (1.25)
Smith (James) Est	Sep	272,000 (282,000)	2.07 (2.07)
Southdown Beacham	Sep	2,400 (1,800)	23.7 (23.7)
Sulphur Water	Jun	150 (16)	2.0 (2.0)
Tharal	Jun	773 (73)	3.0 (3.0)
Tottenham Hotspur	Sep	790 (804)	1.6 (1.62)
Value & Income Tr	Sep	135 (137)	1.46 (1.4)
Venturi Inv	Sep	8,520 (5,020)	6.32 (6.32)
Wagon Industrial	Jul	46 L (53)	0.57 (1.15)

(Figures in parentheses are for the corresponding period). Figures are shown net of tax per share, except where otherwise indicated. L = loss. † = Net revenue. ‡ = Net profit/loss. § = Figures for three months. ¶ = Special interim dividend. †† = Third interim dividend. ‡‡ = Third quarter figures. §§ = Net earnings quoted in US dollars. ¶¶ = US dollars. ♦ = Second interim dividend. ♥ = Available revenue.

RIGHTS ISSUES

Greenall's Group is to raise £20m via a 1-for-5 rights issue at 25p. Regal Hotel is to raise £800,000 via a rights issue of 15 new shares of 1/4p for each existing 2p share at 1/2p. Wagon Industrial is to raise £30.8m via a 1-for-4 rights issue at 33p.

RESULTS DUE

Company	Announcement date	Dividend (p)
Abstract New European	Tuesday	1.0
Abrown Securities	Wednesday	2.5
Beverley Group	Friday	0.825
Blacka Leisure	Wednesday	1.1
Bradford Property Tr	Friday	2.0
British Bygon Industries	Tuesday	3.0
Castle Hill	Wednesday	3.0
French Connected	Wednesday	1.0
Graham House	Friday	1.0
ICI	Thursday	21.0
Jeddon Group	Wednesday	1.0
Jupiter Tyndall Group	Tuesday	2.0
Lands Holdings	Wednesday	0.3
Marks & Spencer	Wednesday	2.1
Moss Bros	Friday	1.5
Ocean Wilson	Friday	0.75
Read International	Friday	5.25
Roma Evans Inv	Wednesday	1.06
Securities Tr of Scotland	Wednesday	2.17
Shill	Wednesday	0.875
Telegraph	Wednesday	4.5
United Energy	Wednesday	10.0
Warford Investments	Tuesday	2.75

Dividends are shown net of tax per share and are adjusted for any intervening scrip issue. † = Third quarter figures. ‡ = Special dividend.

MANAGEMENT BUYOUTS

The FT proposes to publish this survey on November 26 1992. The FT is read by 54% of Chief Executives in Europe's largest companies.*

If you want to reach this important audience, call Maria Bevis Tel: 071-873 4052 Fax: 071-873 3078

*Data source: Chief Executives in Europe 1990

FT SURVEYS

'Leeches' at the pit heads

WHILE most of Britain regards the prospect of 30,000 redundant coal miners as a disgrace one segment of the population sees an opportunity. Commissioned sales agents of the life insurance and pensions industry are besieging coal fields trying to persuade soon-to-be redundant miners of the virtues of personal pensions, according to a miners' union.

"They heard the announcement and they thought Pandora's box had opened," said David Prendergast, deputy vice president of the Union of Democratic Mineworkers. Prendergast said that at every pit named for closure, at least one insurance sales agent had planted himself on the premises to collar workers going in and out of the pits. "We've had them banned from the colliery curtilage," said Prendergast. He described the agents as "leeches" and said the UDM had retained a financial

adviser to urge redundant miners to remain in British Coal's pension scheme.

Ironically, British Coal's pension scheme offers benefits and inflation-proofing above the national average. The Mineworkers Scheme offers annual increases to deferred pensions broadly in line with the retail price index until retirement age and are indexed while in payment. Also, the scheme offers widows and dependents benefits, unlike personal pensions.

Paul Trickett, secretary to the Mineworkers Pension Scheme, said in the last two years, 23,000 members have opted out of the scheme taking pensions valued at £400m with them. "We estimate that the insurance industry has earned £20m from redundant coal miners in the past two years," he said.

Anxiety that members are being urged to switch out of the scheme by sales agents in search of a commission

cheque prompted the Mineworkers Scheme to retain actuaries Mercer Fraser. Mineworkers who request a transfer out of the scheme receive a fact sheet giving the merits of the scheme compared with a personal pension.

John Betts of Mercer Fraser said that since September, many of those who had planned to transfer out have changed their minds. That, however, has irritated commissioned sales agents, some of whom have called Mercer Fraser to complain bitterly.

"They have threatened to report us to Lauto (the insurance regulator)" Betts said. "The problem is that the sales pitch involves the display of a personal pension's projected earnings 20 to 30 years into the future. We send them a letter telling them that the high number might not be so much in 20 years time after the effects of inflation," Betts said.

Norma Cohen



A gold mine: miners and their pensions

Save & Prosper's bond

THE guaranteed equity bond may just be the marketing man's ideal investment product for the 1990s. It is not without flaws, but it could be the only way of persuading nervous investors to put their money into shares.

This week, Save & Prosper became the latest company to launch a product into this crowded field. Its Guaranteed Stock Market Bond offers a near-exact matching of the FT-SE 100 Index's capital growth over five years with the promise of your money back if the index does not rise.

Save & Prosper says that 99 per cent of the original investment will increase in line with the Footsie; and those who invest before November 27 will get a 1 per cent bonus, effectively increasing the index-matching promise to 100 per cent.

There is a further option available, for those who fear

that the market might plunge in the period just before the bond is encashed. Every time the market rises by 10 per cent (subject to a maximum of 50 per cent), the bond will lock in this gain. So if the market were to rise by 35 per cent and then fall back, the investor would have secured a 30 per cent gain. The price for this further guarantee, however, is that only 92 per cent of the investment is increased in line with the index.

Save & Prosper has calculated that over the most recent five calendar year periods, the bond would have beaten a building society higher rate account. For example, over the five years to January 1 1992, Save & Prosper's bond (with the bonus) would have turned £5,000 into £7,425; the building society would have grown the

same sum into £7,285. Although the difference is pretty marginal, Save & Prosper points out that the five year period includes the Crash and that interest rates were much higher than they are likely to be over the next five years.

So what are the snags? For a start, you must hold your investment for five years. If you want to withdraw your money early, the guarantee will not apply. Your return will depend on the level of the market, minus an unspecified administrative charge which Save & Prosper will apply.

The second snag concerns higher rate taxpayers. Unlike some other guaranteed products, returns on the bond are free of basic rate. But higher rate payers will face a charge on their gains equivalent to

the difference between basic and top rate tax (currently 15 per cent). If they had invested in a unit or investment trust, gains would be subject to capital gains tax. Few people make enough gains to cross the £5,000 CGT threshold.

The third snag is that the bond pays no income. Not only that, but the investor does not benefit from the dividend yield on shares, currently 4.7 per cent. That can make quite a difference over five years. An indexed fund, such as Gartmore's All-Share Tracker, aims to match the index and pay an income on top.

Logic would suggest, therefore, that if you expect the market to rise over the next five years, a tracker fund will give a better return (especially for higher rate payers) than the Save & Prosper fund. And if you do not expect the market to rise over five years, do not invest in an equity-based product - go for gilts or national savings.

But logic is rarely the guiding principle in finance. Save & Prosper's research suggests that people would like to invest in equities, but are turned off by the fear of capital loss. A product such as the guaranteed bond helps overcome this psychological barrier, and could be a key marketing tool for the financial services industry.

Philip Coggan

HIGHEST RATES FOR YOUR MONEY

Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)					
Scarborough BS	First Post	0800 590578	Instant	£250 8.00%	Y/y
Bristol & West BS	Balmain A/C	0800 100177	Instant	£2,000 8.00%	Y/y
Scarborough BS	First Post Plus	0800 590578	Instant	£25,000 10.10%	Y/y
				£50,000 10.15%	Y/y
City & Metropolitan BS	Super 60	081 464 0814	60 Day	£10,000 9.50%	Y/y
Newcastle BS	Nova Star	091 232 8876	1 Year	£5,000 10.10%	Y/y
Chelsea BS	Premier V	0800 272535	31.1.95	£10,000 10.75%	Y/y
TESSAs (Tax Free)					
Allied Trust Bank		071 626 0879	5 Year	£9,000 11.68%	Y/y
Julian Hodge Bank		0222 220800	5 Year	£20 11.00%	Y/y
Darlington BS		0325 487171	5 Year	£1 11.00%	Y/y
West Bromwich BS		021 525 7070	5 Year	£150 10.50%	Y/y
HIGH INTEREST CHEQUE A/Cs (Gross)					
UDT	Capital Plus	0734 580411	Instant	£1,000 7.25%	Q/y
Caledonian Bank	HICA	031 556 8235	Instant	£1 7.50%	Y/y
Chelsea BS	Classic Postal	0242 521391	Instant	£10,000 9.00%	Y/y
				£25,000 9.10%	Y/y
OFFSHORE ACCOUNTS (Gross)					
Woolwich Guernsey Ltd	Intl Gross	0481 715735	Instant	£500 7.75%	Y/y
Halifax Intl (Jersey) Ltd	Deposit Intl	0534 598400	Instant	£10,000 8.00%	Y/y
Bristol & West Intl Ltd	Intl Premier	0801 720598	Month+ ¹	£5,000 8.00%	1/2 Y/y
Alliance & Leic (IOM) Ltd	Investment Bond	0824 663868	1 Year	£10,000 9.50%	Y/y
GUARANTEED INCOME BONDS (Net)					
Allico FN		081 680 7153	1 Year	£50,000 6.05%	Y/y
Allico FN		081 680 7153	2 Year	£20,000 5.35%	Y/y
Liberty Life FN		0440 48210	3 Year	£50,000 7.35%	Y/y
Premium Life FN		0444 68721	4 Year	£1,000 6.30%	Y/y
Cornhill Assurance FN		0800 521543	5 Year	£1,000 7.00%	Y/y
NATIONAL SAVINGS A/Cs & BONDS (Gross)					
Investment A/C			1 Month	£5 7.25%	Y/y
Income Bonds			3 Month	£2,000 8.00%	Y/y
Capital Bonds F			1 Year	£100 9.00%F	OM
First Option Bond			12 Months	£1,000 8.67%F	Y/y
NAT SAVINGS CERTIFICATES (Tax Free)					
	39th Issue		5 Year	£100 6.75%F	OM
	5th Index Linked		5 Year	£25 4.50% + Infn	OM
	Childrens Bond D		5 Year	£29.8.10%F	OM

FINANCE AND THE FAMILY

Planning Your Pension

Transfer temptations: the pros and the cons

Those moving jobs face a devilishly tricky decision over their accrued benefits. Eric Short weighs the options

EACH YEAR, millions of employees in company pension schemes leave their jobs. Many seek the services of an independent financial adviser or a life company representative to help them decide whether to leave their accrued benefits in the old scheme or transfer those benefits to another pension arrangement – either to another company scheme or to a pension contract with a life company.

But in many cases employees have not been given what is regarded as best advice. Fimbra and Lauto, the regulatory bodies, have both issued guidance on the subject which effectively tells intermediaries that they must make a thorough investigation of the circumstances before advising clients. If in doubt, they should not recommend a transfer.

The problem for employees, and for those intermediaries

So, how should you decide between a transfer into a corporate and a personal pension scheme? A leading consulting actuary adopts the following approach.

First, the consultant sets out the benefits provided if the employee leaves his accrued rights in the company scheme. This shows: (1) The pension entitlement at the normal pension age of the scheme. This should show the value at the date of leaving employment and the expected value at retirement, assuming the present statutory increases and present company policy are continued. (2) The cash option available at retirement. (3) The spouse's pension paid on the death of the employee if this occurs after retirement. (4) The spouse's pension paid if the employee dies before reaching retirement age. (5) The pension available on early retirement. (6) The amount of transfer value available in lieu of the deferred benefits and the period for which this value is guaranteed.

If the arrangements are not completed by this date, the employee must obtain a fresh transfer value calculation.

The next step should be to set out the benefits available if the transfer value is invested in a personal pension.

advising them, is that precise comparisons between the alternatives are impossible because the contracts are different.

The company scheme provides a pension whose value has certain guarantees and some protection against inflation, and which does not depend on the investment performance of the fund or annuity rates. In addition, the scheme will offer a spouse's pension, together with other possible fringe benefits such as paying a pension early because of ill-health.

In contrast, a personal pension or buy-out contract from a life company operates on the money purchase principle, in that the transfer value is invested and the accumulated value used to provide a pension through buying an annuity. The value of the ultimate pension depends on investment performance and annuity rates. The buy-out has some guarantees, but the personal pension has none.

This uncertainty does not mean that the pension will be lower, as implied by many commentators. But a personal pension or a buy-out is a lottery and like most lotteries there are winners and losers. The task of the adviser is to decide whether recommending a transfer will provide a winner or a loser.

A consultant can calculate the amount of the accumulated fund at the time of retirement, using two growth rate assumptions. A life company making such calculations for an IFA would have to use the growth rates set out by Lauto. However, an actuary authorised by the Institute of Actuaries can use his or her professional judgment as to the appropriate growth rate assumptions.

The consultant then calculates the pension which the accumulated fund will buy on several different assumptions – with and without a spouse's pension, and with and without a 5 per cent annual increase. He can then calculate the investment return which the life company must achieve, after allowing for its expenses, to match the benefits provided by the company scheme.

So which is best for the employee? This depends on a number of factors – financial and non-financial.

Financial factors
■ The employee has to decide whether the recommended life company can achieve a higher return over the time to retirement than is required to provide the scheme benefits. An adviser can give an opinion as to whether he considers the life company can achieve this return, using past performance

as an indication (but nothing more), but he cannot give a guarantee of a future return – nor can the life company.

With bonus rates expected to be reduced next year, investors are getting a foretaste of the volatility of life company investment performance.

■ The company scheme provides spouse's benefits which an employee has to buy with a personal pension. As such, a personal pension is more favourable to a single person than to a married person.

■ The employee should consider not only the benefits at normal retirement, but those available on early retirement. The company may well be generous towards early retirement and not impose the full actuarial penalty, whereas with a personal pension the full penalty is imposed automatically.

■ Company pension schemes are becoming more generous in

making pension increases to offset inflation – increases that the actuary to the scheme may not have taken fully into account in calculating the transfer value. With a personal pension, any pension increases have to be paid for. In addition, the company is effectively guaranteeing annuity rates, something the life company will not do.

■ On the other hand, the company scheme has to achieve a similar investment return to provide the benefits and this in turn implies that the scheme is adequately funded. Not only is there the risk of fraud, but many schemes are now being wound up without sufficient assets to pay all the full benefits. The deferred pensioner is at the back of the queue if there is a shortfall.

Non-financial factors
■ The employee's temperament is possibly the single



most important factor. There are several aspects to this: the employee can have a measure of control of his pension assets in a unit-linked personal pension – he or she can switch

from, say, shares to cash if wished. In a company scheme, the employee has little or no control in its operation.

■ The circumstances under which the employee left may be such that he wants nothing to do with anything managed by his old employer.

■ The employee's attitude towards investment risks. If the employee is risk-averse, or if the deferred pension represents a significant part of his ultimate pension, he should consider the situation carefully before taking those benefits out of the company scheme.

'A personal pension or a buy-out is still a lottery'

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1029

Directors' Transactions

DIRECTORS appear undecided about which way to deal, with purchases and sales very evenly balanced. Viscount Rothermere, chairman of the Daily Mail and General Trust, sold 10,000 of the A non-voting shares, realising a little over £650,000 before expenses. At the same time, he sold a further 12,000 in which he did not have a better financial interest. After these sales, Viscount Rothermere's vehicle still controls more than half the company's shares.

The media sector features quite highly this week. Christopher Bland, chairman of LWT Holdings, has sold 84,000 of the convertible

cumulative preference, leaving himself with 186,000 preference shares. Unlike its London weekday rivals, LWT retained its franchise in last year's bidding contest. Wm Group has been one of the great success stories in the UK engineering sector, riding out the recession in impressive style. William McLean has sold 38,000 shares at 553p, at which level the shares have doubled since the beginning of 1991. Relative to the market over the last 12 months, they have outperformed by almost 30 per cent.

Angus MacDonald,
Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Afford Textiles	Text	4,000	16	1
BPP	BuSe	25,000	63	1
BTR	OthI	75,000	364	1
Candover	InTr	15,000	34	2
Cresta Care	HIn	70,000	17	1
Daily Mail A	Med	10,000	652	1
Enterprise	Med	9,500	14	1
Halstead	Chem	3,000	14	1
LWT Holdings (CCP)	Med	84,000	214	1
Scottish TV	Med	200,000	854	1
Weir Group	EngG	38,000	210	1
PURCHASES				
ASDA	FdRe	80,000	28	2
BM Group	EngG	70,000	42	3
Broadgate	InTr	16,200	15	2
Cussins	C&G	208,000	53	1
EL Oro	n/a	7,500	28	1
Forle	Holl	35,000	52	1
Goodhead Group	Med	50,000	16	1
Greenwich Res	Mine	820,800	37	4
Johnston Group	GdMa	20,000	24	1
Morrison (Wm)	FdRe	35,000	47	1
P & O	Tran	10,000	39	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 12-16 October 1992.

Source: Directus Ltd, Edinburgh

FINANCE AND THE FAMILY

BANK BASE rates have changed 12 times since the beginning of last year, falling from 14 per cent to 8 per cent. Yet most credit card issuers have only cut their interest rates two or three times over that period.

Barclays, for example, the largest issuer of credit cards, with 8.7m cards in circulation, has announced it will be cutting its rate on November 1 in response to the recent base rate cuts. But this will be the first time its rates have changed for two and a half years.

Barclaycard's new rate will be down to 24.9 per cent APR, which is just over 5 percentage points less than the 29.8 per cent APR prevailing from July 1989 to June 1992. Since the latter date, base rates have fallen by 7 percentage points.

The average credit card annual percentage rate, according to the Credit Card Research Group, is 25.7 per cent APR, once planned cuts over the next few weeks are taken into account. This compares with an average of 26.7 per cent APR in October 1990 – the month when base rates fell from 15 to 14 per cent.

National & Provincial, which last altered the interest rate on its Visa card in February to 24 per cent APR, says that it does not have plans at the moment to make another cut. "We're watching things closely but we're finding that other issuers are coming down to our levels," said a spokesman for the building society.

Many consumers are baffled by the slow speed at which banks and building societies react to base rate changes and one reader wrote to the *Weekend FT* wondering whether credit card issuers are "profiteering" from such high rates on interest.

The institutions argue that they are struggling to make a profit on a service which they believe is competitive and worth the cost. Some institutions made a loss in 1990 but, with the introduction of annual fees, most have moved back into profit.

Barclays does not break down its figures for its credit card operation but in 1990, the personal loans and mortgages department, which includes Barclaycard, made a loss of £4.3m. Last year the department made a profit of £45.7m. "The cost of buying funds on the money markets only repre-

Current Credit Card Interest Rates			
Card	APR	Annual fee	Monthly interest
Bank of Scotland (Visa/M'card)	28.0	£10	1.9%
Barclaycard (Visa/M'card)	27.6	£10	1.79%
Co-Op (Visa)	32.15	none	2.36%
Halifax (Visa)	27.3	£10	1.95%
Lloyds (Access)	25.3	£12	1.8%
Midland (Access/Visa)	26.8	£12	1.9%
Nat West (Access/Visa)	26.8	£12	1.9%
Nat & Provincial (Visa)	24.0	none	1.81%
Royal Bank of Scotland (Access/Visa)	26.6	£10	1.9%
TSB Trustcard (Visa)	27.5	none	2.06%
Yorkshire Bank (Visa)	26.0	none	1.95%

*rates prevailing as of today. These institutions have announced plans to reduce rates.

Why credit is still costly

sents half our costs," said Christine Tucker, of Barclaycard. "The other costs are fraud, bad debt and operational costs for providing our services worldwide."

Credit card and charge card fraud is estimated to have amounted to £100m last year, and the Association for Payment Clearing Services has said it will be spending £500m over the next three years to fight fraud.

Institutions argue that credit

Scheherazade Daneshkhu on a rates anomaly

card rates cannot react in the same way to base rate changes as mortgage rates do. "When there is a base rate cut, it tends to be a 0.5 or 1 percentage point cut but when a credit card rate is lowered, it does so by more than that," said Elizabeth Phillips, director of Credit Card Research Group. "When a cut is made, all the literature has to be changed and that can cost as much as £250,000 for a major issuer."

Banks and building societies say they prefer to watch interest rate trends and adjust their own rates accordingly. The Royal Bank of Scotland, which last cut its credit card interest rate in January, was ambivalent, earlier in the week, about whether a further cut would follow. "As interest rates fall,

we are watching and waiting until everything settles," said a spokesman for the bank. It has since confirmed that it will be cutting the interest rate on its credit cards.

While the institutions argue that the cost of borrowing on credit cards is good value, the Consumers' Association says the rates are still high. "We thought their rates were too high when we published a report on credit cards a year ago. A year on, base rates are still falling but credit card rates are still too slow to come down," said Graeme Jacobs, a spokesman.

Meanwhile, consumers should be aware that issuers have introduced ways of cutting costs at their expense.

Previously, if you had not cleared your bill by the date stated, interest would be charged from the date the statement was issued. Nowadays, almost all the large issuers charge interest from the transaction date, which is when the purchase is charged to the issuer, usually a few days after it is made.

Consumers have also found it difficult to compare the real cost of borrowing between issuers because the method of calculating the APR has varied since the introduction of fees. Happily, this is set to change following an agreement between leading card suppliers on a standard method of calculation. Some issuers, including Co-Op, National & Provincial, TSB and Yorkshire bank, are still fee-free.

Negative equity loan plan

HOMEOWNERS with houses worth less than their mortgage may not

find it easier to obtain more money from their building society in spite of pending legislation on unsecured lending announced this week by the government, writes Scheherazade Daneshkhu.

The Treasury's move will lift the ceiling on building societies for unsecured loans from £10,000 to £25,000. The government is also easing the conditions under which mortgage customers can obtain income tax relief if they move home. Mortgage interest relief will continue to be claimable when a home owner moves to another property but retains the original mortgage.

However, the Consumers' Association doubts whether borrowers will find it easy to obtain a larger loan from their lender when legislation is passed. "We are far from convinced that lenders will be willing to provide funds on an unsecured basis because they will be concerned about the risk," said a spokesman. Abbey National, which became a bank three years ago and has therefore been free to lend on an unsecured basis, has not exceeded the £10,000 building society limit.

The Halifax building society was cautious about the type of customer to whom it would be prepared to give an unsecured loan. A spokeswoman said it depended on the individual's circumstances and their ability to repay the loan. She suggested those wanting to move because their job involved relocation may find it preferable to press their employer for assistance.

Even if lenders are prepared to extend an unsecured loan to customers with negative equity, the danger for customers is that they will become caught in a vicious circle of debt. Interest rates on unsecured loans, at an APR of around 21 per cent, are much higher than current mortgage interest rates.

Diana's happy ending

Not all offshore trust stories are sad, says Paul Ham

OFFSHORE trusts have lost some of their allure since the 1991 Finance Bill imposed taxes on capital profits made from offshore trusts set up after April 5 1991. But they still have many uses for non-UK domiciled foreigners resident in the UK. Trusts set up by non-UK domiciled individuals are still fully exempt from UK taxes (although the law on domicile is likely to change next spring.)

Consider the case of David and Diana Trotwell. David Trotwell, a South African businessman, married Diana in the early 1970s and the couple settled in Britain, but David retained some business interests in South Africa.

The Trotwells did well in the UK during the 1980s, and their assets grew on the back of rising share prices and a booming property market. They had two children – Charles and Lucy – a dog called Shepherd, and a house in Henley, Oxfordshire.

By the late 1980s the wind of fortune began to change for the Trotwells in the UK. David Trotwell lost most of the money he had made during the 1980s on bad investments. He tried to forget his troubles in various indulgences – younger women, a sports car and certain optional extras. But his hobbies took their toll on Diana and their marriage started to turn sour.

Their son, meanwhile, dropped out of university to join a religious cult, which placed special emphasis on private donations from wealthy, disaffected youths. The daughter still had another three years of expensive boarding school to complete.

About this time, David Trotwell was offered a good price for his South African business interests which he sold for a substantial gain. He did not take UK tax advice but went to Bermuda and settled the funds in a trust which he used from time to time to maintain his lifestyle and Lucy's education.

In 1990 David Trotwell died suddenly from a heart attack. Diana was left with little means of visible support and

substantial debts.

She was advised to sell the Henley pile and move back to Brighton, the city of her upbringing, where she found herself operating a bed and breakfast to make ends meet. She often considered tracking down her husband's offshore assets, but was dissuaded by fear of a huge tax bill, a tax penalty, or worse.

Her son's religious cult had long ceased pestering the Trotwells household for donations but her daughter's school fees were cutting a swathe through her meagre income.

If the measure of desperation is relative to our expectations, Diana Trotwell had now grown desperate. She resolved to unearth her late husband's offshore pot of gold... whatever the tax risk!

Diana expected, or hoped, that she was eligible for some form of income, although memories of her husband's girlfriends lent little sustenance to this fantasy.

She made a few inquiries of her late husband's wealthy business colleagues who put her in touch with a solicitor

who was a specialist in offshore trust matters. She felt more confident going to a solicitor than an accountant because she felt she would get more sympathy.

Much to her amazement she was told that apart from what her husband had brought into the country, "there was absolutely no tax payable." Her husband had died non-UK domiciled.

Flushed with hope she contacted her late husband's trustees through her solicitor. There was a bit of a problem proving to them that she was who she said she was, but thereafter she found them most co-operative and helpful.

She discovered that her husband's trust, which was a discretionary trust for herself and her family, held £10m. In her lawyer's own words "It is quite remarkable to see the sense of relief on the faces of those who, having lived for years in penury, discover their family assets."

But it was not all milk and honey. Diana was told that in addition to the trust deed, her late husband had also left a

detailed letter of wishes. This specifically instructed the trustees to provide for her out of income, provided that the Trotwells had not divorced and she had not remarried, but specifically excluded her from any capital distribution.

Diana however wanted to move back to her friends in Henley, and into a house of her own.

After some persuasion and a legal opinion from her solicitor, the trustees agreed to provide Diana with a regular income (on which she would pay tax) and invest in a house for her in Henley, Oxfordshire, in which she could live but not own.

Her solicitor advised how best to structure the purchase to avoid various tax traps and pitfalls. Diana happily trotted off to Henley to find a house for the trustees to buy.

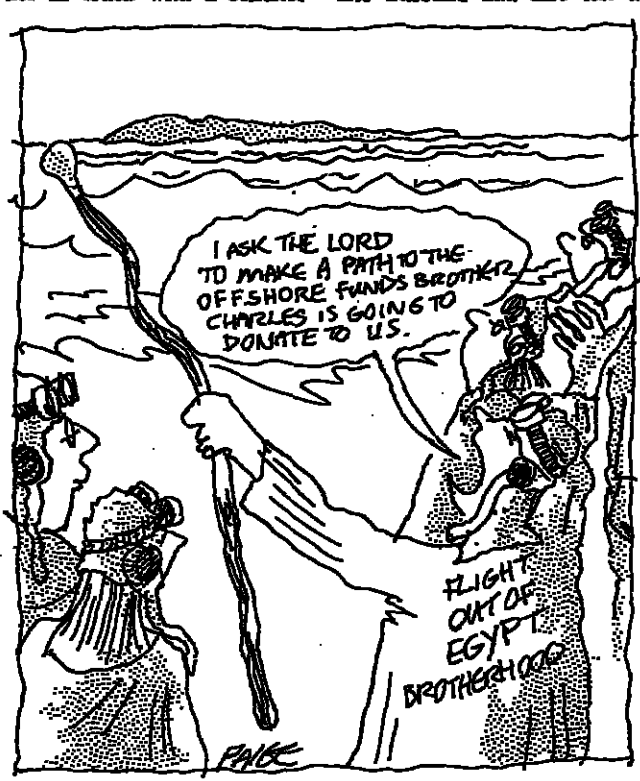
The trustees were also persuaded to set aside a fund for Lucy to provide for her education and future requirements.

But when it came to Charles, they were quite adamant. It had been her late husband's wish that while he remained a member of this odd religious cult he was not to receive a penny, neither income, benefits or capital.

Diana was deeply disappointed because she saw this as a final wedge which would drive her son away, but the trustees could not be persuaded otherwise. Her solicitor said it was a waste of time even to try.

Diana lives happily enough in Henley in a house owned by the trust, with a regular income. In a funny way, she says she missed the bed and breakfast in Brighton. But with £10m in a Swiss bank she says, on second thoughts, that she could never dream of having paying guests in her house again.

Paul Ham is consulting editor to *Offshore Financial Review*, the Financial Times publication for the offshore financial services sector. The background for this case was provided by Caroline Cornham and David Way, trust and tax solicitors at City firm of solicitors, Simmons & Simmons. Clients' names have been changed.



Beware of mutations

Harry Hopkins with a botanist's view of the stock market

IN 1735, the 28-year-old Swedish naturalist, Karl Linnaeus, published *Systema Naturae*, making sense of the chaotic profusion of the botanical world by surveying each flower for a crucial factor, then using this to work out an order of genera, species and sub-species.

It has often seemed that the stock market could usefully take a leaf from this young man's book. It could prove a revealing exercise.

For example, the Linnaean approach, when applied to the animal world, reveals that the brilliant blue jay and the funeral raven emerge alike as *Corvidae* – of the crow family.

Apply it to the stock market and the superficial categories of the market reports, such as "industrials" and "engineerings" and "blue chips" are left. By applying the crucial common factor approach, shares as varied as oil explorers, package tour operators, toy makers and part of the rag trade might be classified together as *Volatiliae*, possibly sub-species *Extremes*.

The outstanding common factor is that these managements must stake large sums of money, often many months ahead, on an unpredictable outcome – whether the drill bit will encounter oil in commercial quantities, whether the public elect to book the right foreign holidays at the right time (the package having long ago paid for accommodation and transport) or whether this season's colour really proves to be blue.

The share price charts will confirm the classification. In 1989-90 much-tipped Tuskar Resources gushed up to 89p on Columbian oil strikes, only to drop to 1p and, finally, suspension this year, as the money ran out faster than oil revenues came in. Air Tours, climbing more than 500 per cent in 1991, fell precipitately this summer as it emerged that tour operators had over-estimated public demand.

Again, a financial Linnaeus,

casting a penetrating eye over the conventionally classified columns, might bring together motor manufacturers, hotels, and airlines under the shared factor of high and inflexible fixed costs.

Just as car makers cannot dispense with expensive, sophisticated assembly lines when sales dwindle, so the hotelier cannot turn off the heating or cut his staff drastically when guests stay away. In times of recession, one might be tempted to name this species *Ponderosus* – except that when recovery comes, and occupancy rates or throughput rises, the gains can be disproportionately high.

As for the *Acquisitives*, these would probably require an entire genus today, broken down into species and sub-species, ranging from mere rescuers to predators, red in tooth and claw. For the latter the crucial factor might be frequency of cash calls on shareholders, compared with rise in earnings per share. Thus, in its four years as a public company, Resort Hotels has called on its shareholders four times in four years, but its managing director now assures them that it has reached critical mass and is in an earnings phase.

Certain species, for which there would be no lack of candidates, would be *Fructus Candidi Crastinus Dies*, or Jam tomorrow. Other sub-species might indicate acquisitions being made too often (*Blimey! Ratners?*) or Not Often Enough. Nigel Rudd, the chairman of Williams Holdings, once pointed out that the will which sets master acquirers on their empire-building course, is not, in the nature of things, something that lasts for ever.

Emerging from this taxing area, the new Linnaean classifier would surely find comfort in a rare but well-defined species which he might christen *Dormitors*, or sleepers, to borrow a trade term for books that go on selling steadily year in year out, letting their authors prosper.

Those which might be included are Great Universal Stores, the gorgeous gussies of the 1950s, earnings still rising unbrokenly into the recessionary 1990s. Glaxo, which saw its share earnings rise nearly 1,400 per cent through the 1980s, and Marks and Spencer, which has seen its profits rise without break for 40 years.

It is this species which has made its patient shareholders rich, and us eager pursuers of *Volatiliae* look like idiots. Clearly an increasingly important species to mark out these days would be *Globals* with more than half their earnings derived from overseas, not only insuring against domestic recession, but profiting by expanding horizons.

Again this is a species that increasingly transcends the conventional categories, embracing not only Unilever, with 85 per cent of its earnings coming from overseas, and the oil majors, but also the APVs and the Rentokils. The last named has 55 per cent of its earnings now derived from overseas, including France, Germany, Switzerland, Italy,

North America and Asia. All of these countries are apparently in thrall to the company's new infra-red Mouse Alert.

As the successors of Karl Linnaeus discovered, species can mutate. This is a game at which any investor can play. Why not, for instance – since psychology is as important as the facts – a sub-species for stocks temporarily placed in the Doghouse (Tralagar House et alia)? Or a species for High Cost of Entry (a mighty preserver of riches)? Or for recession proofs, now being the time to test them? Or perhaps, in cautionary mode, a *Fulgens Maximus* species for miracle working financial stars who simply must be followed.

Do it yourself classification by special factors can be an education.

U.K. WATER INDUSTRY

The FT proposes to publish this survey on

December 1 1992.

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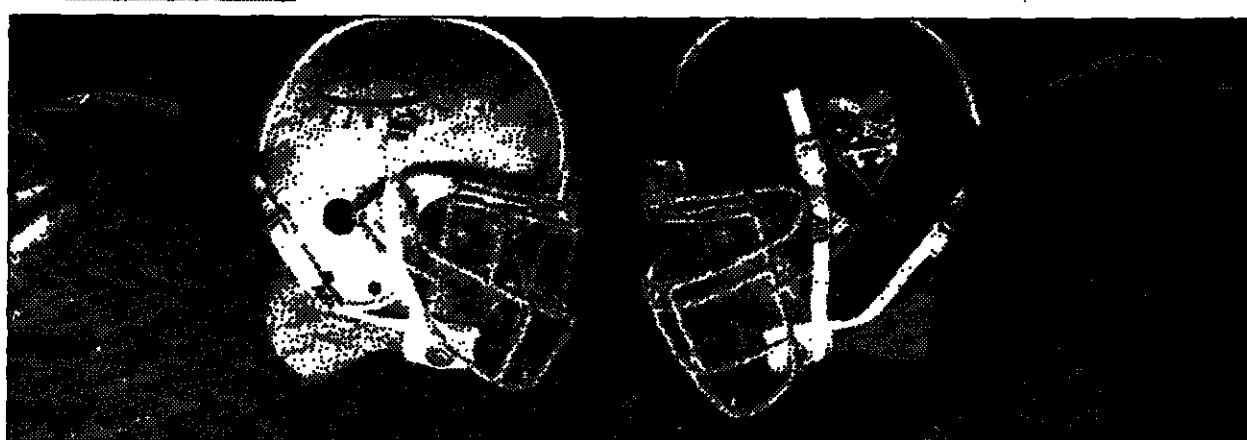
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FT SURVEYS

PEP charges.

1

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PERSPECTIVES

As They Say In Europe/James Morgan

Britain's leaders keep up the interest rate

LAST April, foreign correspondents in London were grieving over the result of the general election.

This was not because of any special love for the Labour party or leftist prejudice. It was, rather, the natural reaction of those who had been living well to the prospect of reduced rations. The future held just another Tory government under boring but competent John Major. It would be a dreary sequel to the horrors of the poll tax, the decline and fall of Margaret Thatcher, and the baroque complexities of the BCCI and Robert Maxwell swindles and other manifestations of the 1980s boom.

I remonstrated with members of the Foreign Press Association. "Do not despair.

Something will turn up." And today those same correspondents admit they were wrong. Britain has resumed its place as the one Community country whose domestic political affairs can be relied on to produce regular front page news for its neighbours. "We should have trusted the British," say the newsmen as they contemplate the results of the government's new policy of *reculer pour mieux sauter*.

In *Le Monde*, Laurent Zecchini began a breathless week thus: "Will the British

government give way or will it choose a trial of strength? The question that is posed, this day, Monday October 19, at the beginning of a week that is without doubt the most critical in the career of John Major. But much of the rest of the article seemed tainted with British understatement: "The coalmine crisis is only one of the aspects of Mr Major's numerous difficulties."

By the next day the situation seemed to have got worse. In *Börsen-Zeitung*, Reinhard Fröhlich had a front page editorial headed: "John Major

in danger." It ended with the words: "Soon there will be no area of politics where John Major will not feel seriously threatened by his own party."

In *Les Echos*, Patrick de Jacquet wrote: "The U-turn can only add to the impression that the government's credibility is at its lowest... Monetary policy seems uncertain, subject to the political imperatives of the moment. And the repeated pledge of Chancellor Norman Lamont to put the fight against inflation as the top priority is hardly taken seriously." A

prescient observation as it turned out.

So it is that contemporary Britain and its government enjoy only modest renown on the other side of the Channel. One might have expected worse. But the visit of *die Queen* to Germany served to underline the fact that Britain is not viewed with total derision. At times the general amiability of the provincial German press seems almost excessive. It was even fair-minded over the recent row involving the *Bundesbank*. So this week the *Schweidische*

Zeitung wrote:

"That Elizabeth the second makes east Germany the main point of her visit should emphasise that the majority of the British population gave an unconditional welcome to German unification and has no fear of an 'overmighty Germany' in a Europe that is growing together. The Queen thus often places herself publicly against Conservative politicians and media who try to stir up anxieties about German domination."

The *Rheinische Post* gave a clue as to what this anglophilia

was all about: "... the monarch from Windsor deserves our gratitude and thanks because she and her government - like the American president - resisted the threats of the East German boss Honecker who demanded to be invited to Buckingham Palace. Britain conducted itself differently as a victorious power from France."

But in Dresden things changed. Newspapers in the west regretted the hostility but implied the Queen could have done more. The *Sächsische Zeitung*, published in Dresden,

went further, saying the church service was welcome. "But it is understandable that there was disappointment in Dresden because a stronger gesture had been expected from the Queen. The monarch took part but did nothing herself - no word to the Dresdeners, no trip through the city centre, no stop at the Frauenkirche."

In the *Frankfurter Allgemeine*, Günter Nonnenmacher summed up why things had gone wrong: "The Germans, like all continentals, have a penchant for the symbolic; the British have a mind for tradition. That is a contrast which brings with it difficulties that can hardly be bridged."

James Morgan is diplomatic correspondent of the BBC World Service.

It's not business, Gorby, it's strictly personal

THE MATTER OF former Soviet President and Communist Party General Secretary Gorbachev vs the Constitutional Court of Russia is, of course, personal.

Mikhail Gorbachev did not refuse to appear before the court on a mere point of law: Boris Yeltsin did not ban his foreign travel because it was the appropriate legal sanction - nor did he relax the ban to allow him to attend Willi Brandt's funeral because he had been advised that the original decision was legally faulty.

It could not be other than personal. These two men have loomed over Soviet and post-Soviet politics like battling mastodons since 1987. Then Yeltsin, having been raised by Gorbachev to the politburo and the leadership of the Moscow party, was summarily dismissed after a humiliating process which, on Yeltsin's account, nearly killed him.

His comeback over three years, when he gained popular support as Gorbachev lost his, seared the Soviet president's soul: the humiliation he visited on Gorbachev before the Russian parliament, after the collapse of last year's coup attempt, was sweet revenge, but not the end of the story.

At stake has been not only leadership of the country, but the mantle history will bestow. There is still no question as to which of the two is the more popular abroad, especially in the US: Gorbachev's trip there in May of this year had most of the trappings of a presidential visit.

Unable to conceal his spleen, Yeltsin used a post-conference briefing, at a meeting of the heads of the Commonwealth of Independent States in Tashkent, to mock his predecessor's pretensions to "head a world government." Yeltsin also attacked his idiosyncrasy for "clinging to the ideas of socialism."

In this bitterness, one can detect the bafflement that foreigners should think more of a man who destroyed the Soviet Union than one who is struggling to rebuild Russia - a puzzle which has a rational basis.

The matter which the Constitutional Court is trying is also, inevitably, political. This fledgling institution has been given a responsibility before which any legislative assembly would shrink. It must decide on the charge, brought by former communists, that the Russian president's decrees banning the Russian and the Soviet communist parties were illegal. Further, it must adjudicate on the counter suit, brought by the Gorbachev, that the Communist Party was itself unconstitutional.

Andrei Makarov, lead advocate for the Yeltsin camp, began his case by claiming the party had visited a reign of terror on the Soviet people "unprecedented in history." Even when the court decreed that the evi-

on September 28, he justified himself on the grounds that "as it loses support for its policies, the other side (Yeltsin's) looks for scapegoats and seeks to put history itself in the dock" - an attempt which "may trigger the suppression of dissent and bring about a climate of purges for political views and convictions."

There seems no doubt that Valery Zorkin, the young head of the Constitutional Court, has been within his rights to seek to compel Gorbachev to appear as a witness - although he did not himself impose the ban on travel, instead appealing to the Yeltsin, as president, to impose it. Yeltsin, in consultation with Andrei Kozhev, the Foreign Minister, acceded to the request: the

conference, held in the courtroom, was moderated by a rather bumptious TV reporter who condescended to Zorkin. Zorkin, especially when speaking to foreign correspondents, plaintively justified his actions by referring to the practice in other countries. He was led into being rude about Gorbachev, referring to him as a "citizen of the world" who should remember that it was as a Russian citizen that he would be called to account.

Gorbachev's problem, however, is that there is no substantial section of Russian opinion which wishes to make his case their own. The Yeltsin camp, which includes those who would still call themselves democrats, largely see him as a man trying to cling to the remnants of power and compromised by his party past.

Yet the efforts to tar him with the party's authoritarian brush have been unsuccessful - although Mikhail Poltoranin, the Information Minister, yesterday promised some juicy scandals from the politburo files. Yeltsin's side alleges that Gorbachev covered up the massacre of 14,000 Polish officers in Katyn forest in 1940 by not publishing the politburo documents on the affair - which he did not.

He did, however, admit Soviet guilt in the affair (it had always before been blamed on the Nazis, long after no-one else believed it). He claims that he gave the secret files to Yeltsin when he handed over power at the end of last year, legitimately going on to ask - why only now is he revealing them?

The case, moving to its final stages, has appeared to have proved nothing - except that it is hard, perhaps impossible, for any court to sustain the weight which is being put on it.

Society was promised a kind of Nuremberg process, in which men guilty of a nation's humiliation would be put in the dock. Yet those who have come forward - such as Nikolai Ryzhkov, the former premier under Gorbachev, or Arkady Volzky, a former Gorbachev adviser, or even Yegor Ligachev,



the former politburo number two - were in their different ways trying to reform the party, to give it a legal foundation.

The prosecution is in the name of Yeltsin, a former politburo member, whose career was made under the authoritarian rule of Leonid Brezhnev, accusing his former fellows of crimes allegedly committed when the party was attempting to become less totalitarian.

The process cannot rid itself of the sense that it is a dispute among former comrades: it has about it the smell of show trials, if nothing like the ferocity or the sinister potential. It will take a judgment of Solomon to raise it above that, and make it a foundation stone of a law-based state.

The judgment of Solomon is needed in the court case involving ex-Soviet president Gorbachev, says John Lloyd

dence should be limited to the period after March 1990, when the party lost its formal monopoly of power, the arguments have continued on whether the party had succeeded in transforming itself into a legal party with power limited by democratic checks and balances.

The personal and the political energies unleashed by the process are inescapable: they would be present in any similar case in any country, no matter how time-honoured its civil and judicial institutions were. However, the root question is whether there exists in Russia a sufficiently well developed legal and constitutional base to cope with these energies, to sift from their passionate advocates what is genuine, and to arrive at a judgment which is seen to be just.

The signs of this are at best mixed: and the Gorbachev affair, as one of these signs, is itself confused. Gorbachev has been consistent in his refusal to appear - but he has not argued on a point of law. Instead, in his deposition to court

lifting of the ban on October 13 was said by Yeltsin to be for "humanitarian reasons."

Besides the deprivation of the right to travel, Yeltsin also, on October 8, ordered the seizure of the buildings housing the Gorbachev Institute on Leningradsky Prospekt. Yeltsin's view is that it is not legally leased, that there are irregularities in the income of the Gorbachev Foundation and that Gorbachev does not need all that space anyway.

It gave Gorbachev a street platform from which to accuse the Russian president of authoritarian tendencies and of conducting an act of political revenge - charges which appeared as justified as those made against his own actions towards Yeltsin five years earlier.

In all of this, the court has failed to remain above the storm. Zorkin, allowed himself to be persuaded to give a press conference on Monday on the affair. That was unwise, because while he may be a fine lawyer, he is a bad politician. The press

When radar went bump in the night

EXACTLY 50 years ago some of Britain's top scientists took over Malvern College in Worcestershire. The move was undertaken with great haste, in deep secrecy and amid farcical chaos. The scientists were ordered to move by Winston Churchill's because they and their existing laboratories were at risk of attack.

A little while before a British parachute commando force had raided a German radar station on a cliff-top north of Le Havre in occupied France. They overpowered it, ripped out the vital components of the Würzburg radar, carried them down to the beach, loaded them on to boats and whisked them away in the darkness. Back in England the trophies were examined by scientists.

The success of the raid both pleased and alarmed the Telecommunications Research Establishment. Its radar laboratories were near the cliff-top at St Albans Head, in Dorset, overlooking the English Channel. A similar raid by the Germans could have been disastrous. It seemed prudent to move out before the Germans came in.

The chosen home for TRE was far inland, technically suitable and very attractive. Under protest, the staff and pupils of Malvern College were evacuated to Harrow School.

During the move there were moments of farce. Lorries full of highly secret equipment left under the protection of Dorset Home Guard. However, the local commander refused to allow his men's firearms over the county border. The lorries

continued unguarded and unguided lost their way on the un-signposted roads and ended up in a farmyard.

After the upheaval the scientists settled down among the Victorian Gothic tracery in the shadow of the Malvern Hills. There they developed the "instruments of darkness" without which the Allies might not have won the war.

Radar's military history had been short but spectacular. It began in Britain with a report to the Air Defence Com-

Wilfred Harper recalls a key move by Britain's wartime scientists

mittee of February 1935 entitled *Detection of Aircraft by Radio Methods* by Robert Watson-Watt, the Superintendent of the Radio Department at the National Physical Laboratory.

The Committee requested a demonstration. Watson-Watt's assistant quickly wired together some equipment, loaded it into a caravan and towed it to a place near the BBC's short wave radio transmitter at Daventry. An old bomber was flown about and its radio reflections were picked up and displayed. The committee was convinced.

Immediately, and secretly, money was made available and some of Britain's brightest scientists were recruited. Unknown to each other several countries were working on radio detection, notably Ger-

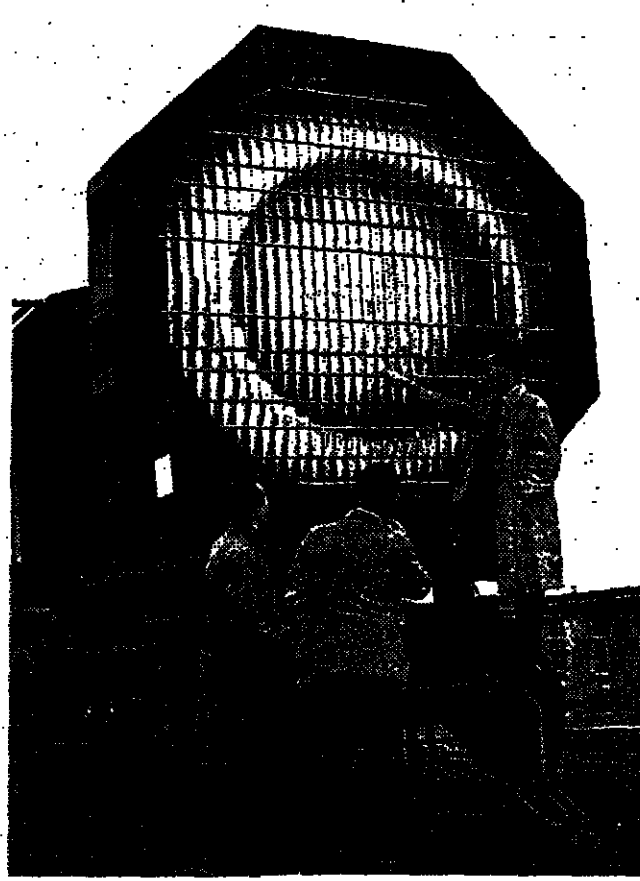
many, France, the US and Japan. The British dubbed the system Radar, an acronym for Radio Detection and Ranging.

So rapid was its translation into operational hardware that Neville Chamberlain's aeroplane to Munich in September 1938 was tracked down the Thames Estuary by five radar stations. By Easter 1939 a chain of 20 stations looped around the British coast from the Firth of Tay to the Isle of Wight. Without its early warning the British would have lost the Battle of Britain and probably the war.

With the Luftwaffe repelled, TRE concentrated on radar for offensive purposes. This is the work which came to fruition at Malvern. It was largely based on a crucial invention of 1940, the cavity magnetron. This enabled the reduction of pulse wavelengths from metres to centimetres, which in turn enabled considerable extension and enhancement of radar's abilities. (The same device generates microwaves in ovens).

The magnetron was used in advanced airborne radar. By 1942 the big bombers, the Halifaxes, Sterlings and Lancasters, were in service and with them came the 1,000-bomber night raids. These required an on-board electronic navigation system for target finding to replace the system based on signals transmitted from Britain, which were of limited range and could be jammed.

Bernard Lovell, a young university physicist, was in charge of its development. His team developed a ground scanning system which displayed features such as cities and



School for scanners: a radar lens on show at Malvern in 1945

coast lines. Hamburg, a city on an estuary, was its first target in January 1943. Nearly 40 years later a derivative, aboard a Vulcan, was used for a raid against Fort Stanley airfield in the Falklands.

Another airborne system enabled night fighters to close in on enemy aircraft after initial guidance by ground radar. By the spring of 1943 German submarines were sinking almost in tons of Allied shipping a month and threatening Britain's supply lines. A newly developed airborne radar enabled Coastal Command aircraft to find and attack the U-boats, often at night when they were on the surface

recharging batteries. Soon U-boats were being destroyed faster than the Germans could replace them. Shipping losses fell by 90 per cent.

Sir Bernard Lovell is now in his late 70s. Recently he attended the dedication of a memorial window at Goodrich Castle near Malvern, close to the place where a Halifax bomber crashed 50 years ago. It was testing one of his prototype radars. All the scientists aboard and the aircrew died.

It is impossible to describe all the systems and counter measures developed during the first radar war. Radar warfare has come a long way, as we saw during the Gulf conflict.

Where there's brass, there's Brian

BRIAN Huntley-Egan has spent a lot of time on his knees in churches over nearly 60 years.

For the past 30 he has spent most of his weekends - and a high proportion of his holidays - restoring brasses in churches all over the country.

Now that he has retired from his job as a British Telecom engineer he is finally able to spend most of his time doing what he enjoys most - adding to the list of 500 brasses in some 300 churches that he has worked on over the years.

"In the past I really did it for love - just charging for petrol and to cover my costs," he said. "But now I am retired I am happy to accept what parishes can afford. It is usually a day rate plus expenses, but even then it would hardly support my wife and myself if we had to rely entirely upon it."

There is only one other restorer of church brasses approved by the Council for the Care of Churches, and he also, does it largely for love. Now he has more time Brian Huntley-Egan would like to view all the 4,000 or so brasses in the 8,000 or so medieval churches in this country.

In this day and age it is hard to appreciate how valuable brass was in the 15th and 16th centuries. Indeed, metal of any sort was rare. To have a memorial brass - and many were often commissioned during the life time of the person to be commemorated - was a sign of great wealth.

An indication of just how valuable brasses were in medieval times comes from those fascinating curiosities

known as palimpsest brasses. These have been a source of great interest to church brass enthusiasts over the centuries. They are reused brasses, which have been re-engraved on the reverse side, often centuries later.

Another indication of how valuable brass was is seen in the occasional skillfully soldered repairs probably dating from the time when they were made.

"In those days production processes were hit and miss. Imperfect castings were too valuable to throw out, so they mended them at the time," Huntley-Egan said.

It is to counter the possibility of theft that Huntley-Egan is called in by parochial church councils. A loose brass is far more of a temptation to thieves than one that is firmly fixed, and one of his services to old churches over the years has been in devising a method of fixing using modern resin glues.

Although brasses are, if anything, more valuable today than when they were made, it is very hard for thieves to find a market for them in this country, as they are all thoroughly catalogued and known by experts in the field.

However, that does not stop a handful of thieves every year. Inevitably some find their way overseas and never return.

"When this happens the sad thing is that church councils often do not realise that they have gone for days or even weeks because thieves usually go for brasses that lie beneath carpets," Huntley-Egan said.

The process cannot rid itself of the sense that it is a dispute among

former comrades: it has about it the smell of show trials, if nothing like the ferocity or the sinister potential. It will take a judgment of Solomon to raise it above that, and make it a foundation stone of a law-based state.

The way to avoid unnecessary damage from footwear is to do what most churches and cathedrals do - rope the brasses off.

Proper rubbing does not damage brasses and can positively improve them, Huntley-Egan said. Although there are many brass rubbing centres, where facsimile brasses can be rubbed, there is nothing like working on the real thing.

The best way to go about it is to become a member of the Monumental Brasses Society. This organisation will supply a list of brass-rubbing centres in the country where facsimiles cast in resin and brass powder can be rubbed. It aims to preserve and conserve these remarkable memorials, of which there are only about 200 - a 20th of the number we have in Britain - in the whole of continental Europe and Scandinavia.

Information: The Monumental Brasses Society, Lower Hill House, Stratford St Mary, Suffolk CO7 6JX. Brian Huntley-Egan, 110 Clarence Road, Stony Stratford, Milton Keynes MK11 1JG.

Clive Fewins

PROPERTY

Who cares for the countryside?

SO MANY SCHEMES now encourage care of the countryside that farmers and landowners hardly know which quango or government department to deal with.

The Countryside Commission (CC), the English Nature (EN), the Rural Development P Commission, or the Ministry of Agriculture (MAFF), and their Scottish and Welsh counterparts (DAFS and WOAD) schemes appear overlapping and, as with social security, those entitled to do so do not always take up what is on offer. To help readers who have land or are about to buy an estate, our table explains the grants.

The present intent of all schemes is two-fold. They aim to reduce production by making farming less intensive - reversing previous policy - and to conserve, or improve, the countryside and its wildlife.

EN's new attitude shows how times have changed. In making agreements for Sites of Special Scientific Interest (SSSIs) it now emphasises active management. Typically, that could mean clearing scrub from a meadow rich in rare flowers and allowing grazing only for a certain number of days a year. On the way out is the Nature Conservancy Council's passive concentration on stopping "Potentially Damaging Operations"

(PDOs), of which a long list encompassed almost anything you can do on a farm.

Next summer this approach will have a major boost when the Government submits its agri-environmental plans, in accordance with new EC agricultural policies. They will probably incorporate many of the schemes listed here. The Council for the Protection of Rural England (CPRE) suggests adopting a unitary

Gerald Cadogan considers schemes to keep the UK a green and pleasant land

and country-wide system of environmental management payments. Farmers would be paid to manage the countryside and enhance it.

The CPRE proposes, on the production side, cutting farm support so that a true market economy can dictate prices. What does need supporting is what we cannot, as private citizens, buy: care of the countryside. Farmers, it argues, should get far more public money in a balanced package to keep up their hedges and walls, be moderate in spreading fertiliser and treat their grassland and woodland

so that species that have flourished from time immemorial will still do so, and not perish from overgrazing or hasty development.

Such proposals would complete the revolution in farming already under way and could be a positive encouragement to farmers and owners to carry on doing what they have always been best at - managing the land and employing farmworkers. It is a far cry from the making land and labour idle policy implicit in the Set-Aside scheme.

But it needs time and patience to convince farmers that these are wise and profitable courses. Inducements must be attractive and paid on time (often they have not been), and agreements tailored to the particular needs of a piece of land, and not blanket prescriptions.

You must have the right people to spread the word, says Linda Cornwallis, of Chipping Norton, Oxfordshire, who has an SSSI and an NSA on his farm. He thinks senior people who know farming and conservation are needed. The Barn Elms reservoir in west London shows how specific negotiation succeeds. Next to Harrods furniture repository it is no longer needed. Thames Water wanted outline planning permission for housing, but it has been an SSSI as a bird habitat. To meet the objection, Thames Water called in a firm of environmental consultants from Chester. R. P.S. Clouston



Diddington Hall Estate in West Norfolk: ideal for the well-heeled birdwatcher

(0244-313498), who in turn consulted the Wildlife and Wetland Trust at Sturbridge, Glos. and came up with a scheme for a bird reserve and visitors' centre, which at the same time allowed plenty of space for future housing.

Dr David Hockin, of Clouston, thought that the adversarial system inherent in planning inquiries and

appeals did not automatically produce the best results. The issues were more a matter of nitty-gritty scientific observation and interpretation. He spoke to me from a badger sett near Reading, where he and his team have spent nights observing badgers and their habits. He will then suggest a plan to protect setts and identify

unbattered land to build on.

And when estate agents advertise SSSIs on land they are selling, we know attitudes have changed. Savills in Norwich (0603-612111) is offering the Diddington Hall estate, which includes an SSSI of three glorious lakes dug in the early 19th century. Unusual swamp plants are the

breeding ground for gadwall, teal, shoveler and great crested grebe. Bewick and whooper swans winter there. The big house was demolished in 1950. With 460 acres at a guide price of £850,000, it is an ideal spot for the romantic, well-heeled birdwatcher to build a new house and a state-of-the-art birdhide.

CPRE - Council for the Protection of Rural England (071-676-6433), a watchdog, highly effective for its quiet handling of government departments.

CC - the Countryside Commission in Cheltenham, Gloucestershire (0242-521381). Set up in 1968 to promote enjoyment of the country. Counterparts are CCW and SNH: see under EN.

Countryside Stewardship - a CC scheme to encourage public use of seven typical English landscapes: chalk downs; lowland heath; river valleys; coasts; uplands; historic landscapes (a deer park was the first) and old meadow. One year old and an unexpected 900 agreements signed. It must protect existing field walls, hedges and trees. Grants from £20 to £100 an acre, here for public access, or school use, or new footpaths (10p a metre) or footpaths

for the disabled (20p). A similar scheme in Wales, Tŷ Cymen, began in July but is restricted at present.

EN - English Nature, based in Peterborough (0733-340345), used to be the English division of the Nature Conservancy Council. Its counterparts are CCW (Countryside Council for Wales) in Bangor (0248-370444) and SNH (Scottish Natural Heritage, 031-447-4784).

ESA - Environmentally Sensitive Area. By 1993 there will be 31 ESAs, run by MAFF: fine but fragile country from the Lake District to the Suffolk River Valleys. Grants up to £120 an acre, with extra payments for, say, clearing scrub on the South Downs or rebuilding dry stone walls in the Cotswolds. Payments in 1991 totalling £8.2m for 3,100 schemes, are expected to reach £45m in England in 1994.

SS. The EC pays about 10 per cent of the cost.

FACGS - the Farm and Conservation Grant Scheme gives 15 to 40 per cent grants for capital expenditure of environmental value, such as shelter belts, field boundaries, bracken control and heather management (good for grouse).

Farm Diversification Grant Scheme - 25 per cent capital grants for non-agricultural work on the farm, such as a shop with car park. FWPS - the Farm Woodland Premium Scheme, run by FC and DAFS/MAFF/WOAD to encourage planting of broadleaved woods on productive farm land, replaced the Farm Woodland Scheme on April 1. Planting

grants up to £630 an acre for broadleaves and £400 for conifers, with a £160 to £240 supplement for using arable and improved grass land. Annual payments up to £100 an acre for 16 years for 50 per cent planting of broadleaves.

FC - Forestry Commission, based in Edinburgh (031-334-0303) and charged since 1919 with promoting native forestry, so that we should not be dependent on foreign wood in times of war. Though it has introduced non-native species such as the sitka spruce that blights Borders, it now emphasises deciduous trees.

Hedgerow Scheme - launched in July by the DOE with CC and MAFF, with funding of £2.5m over the next

three years. Landscape Conservation Grants - small grants from CC and CCW for small schemes for planting trees and woods, cleaning ponds, etc.

MAFF - Ministry of Agriculture, Fisheries and Food. Counterparts are DAFS (Department of Agriculture and Fisheries for Scotland) and WOAD (Welsh Office Agriculture Department).

NSA - Nitrate Sensitive Area. Following an EC directive, a pilot MAFF scheme to control nitrates leaching from the earth, mainly by cutting fertilizer application. The aim is to improve drinking water. The UK will need some normal wet years to see if it is succeeding.

Project Grants - discretionary grants from EN and CCW for anything that helps nature conservation. Equipment, seasonal labour and display boards may all be covered.

SSSI - Sites of Special Scientific Interest. Run by EN etc. SSSIs in England now total 3,675, covering 6 per cent of the country's area. Most are special habitats for the rarer plants, birds and animals; some are chosen for their geology. Typical is a rare wild sage habitat in Oxfordshire (250 acres). Locations title published. Linked is the pilot Wildlife Enhancement Scheme (£20 to £30 an acre).

Set-Aside - this EC scheme reached the UK in 1988. Many farmers curse it as it makes land idle. Up to £90 an acre for removing land from production for five years. Related is the Countryside Premium Scheme, in East

Anglia including Herts and Northants - inquire from the CC in Cambridge (0223-354462) - with extra payments up to £80 an acre for schemes that benefit wildlife, landscape and community use of the countryside. Higher payments for combining Set-Aside with FWPS or WGS.

WGS - Woodland Grant Scheme. Introduced in 1988 when the tax concession on forestry was repealed, pays planting grants. The best are for small stands (one to two acres) of broadleaves: £600 an acre. Grants may also be available from the Rural Development Commission for refurbishing traditional farm buildings, or English Heritage for management agreements to protect SSSIs (Scheduled Ancient Monuments), or local councils. AONBs (Areas of Outstanding Natural Beauty) and National Parks also have schemes.

The FT guide to MAFFspeak

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MOTORING/SPORT

Motoring/Stuart Marshall

Shadow over the motor show

NEVER before has there been a British International Motor Show like the one opening to the public at the National Exhibition Centre, Birmingham, today. Whether there will be a similar one again may depend on how many people pass through the turnstiles between now and Sunday 1 November.

For the first time since the Society of Motor Manufacturers and Traders held a motor show in 1903, there is a sponsor from outside the motor industry and the show is being combined with another event on the same site.

The *Daily Mail* has chipped in with £2m and the motor show is being held jointly with the Midlands Autumn Ideal Home Exhibition. The same ticket admits visitors to both shows. But never mind. The echoing halls of the NEC contain a dazzling display of the world's latest cars, presented with style and pizzazz. It's all a bit like one of those grand knees-ups that used to be held by the opposing commanders on the eve of 18th and 19th century battles.

Reality (for which read recession) is out of sight and mind for a few days, after which the car makers must get down to the task of cutting one another's throats again.

Some of the biggest exhibitors at NEC spend up to £2m each on their stands. Privately, they admit they would love to pull out of the motor show altogether - but only if one of their competitors did so first.

With about one-third of annual British sales now concentrated into August, they see it as a costly irrelevance held at the wrong time of

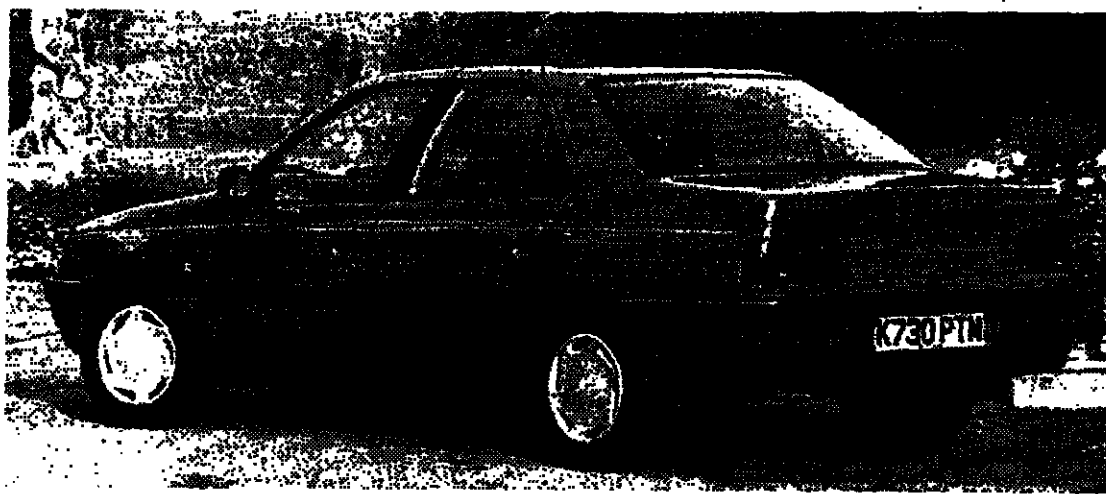
the year.

A cynical view? Of course. But one can argue that the great set-piece motor show is rooted in an age that no longer exists. The concept dates back to a time when there were still lots of British car makers. They used to unveil genuinely new models in a blaze of publicity at Earls Court, where the show was then held.

Today, the industry is more international than national. New cars, usually spoken about freely beforehand, appear throughout the year. And at most of the international shows - not just our own - genuinely new models are heavily outnumbered by cars one could see and test drive at a local dealer. Tokyo Show is an honourable exception to this rule.

Having said all that, anyone having an interest in motoring, strong legs and a comfortable pair of shoes will enjoy a day at the Birmingham show. If the cars should finally pall - and they do ultimately provoke a sort of visual indigestion - there is always the Ideal Home Exhibition to look at.

My personal pick of things to see would be the cars that are new to a British visitor. The Audi 80 estate car, front-wheel or four-wheel driven, that goes on sale here in January is one. Take a look, too, at the Audi 100 saloon with a 2.5 litre



On show: British-made Peugeot 405 is a class leader for comfort and handling. For 1993 it has new engine and interior.

direct-injection diesel engine and 6-speed gearbox. It is among the most fuel-efficient cars in the world. BMW's new 3-litre and 4-litre V8 engines power the 730i and 740i that fills a gap in the range between the old 730i and the V12 750i. Also on show are a V8 engine 530 saloon and the ultimate BMW, a 5.5 litre, 380 horsepower V12 engine 850CSi which reaches Britain in the Spring.

Chrysler's ultra-rapid ruffian of a car, the 8-litre, 10-cylinder Dodge Viper, will not be on sale at £50,000

plus until late next year. But the Chrysler Wrangler and Cherokee Jeeps will start undercutting rival 4x4s from January.

Seven 3-door ZX models priced from £8,500 for an 1.4i Aura to £14,500 for a very high performing 16v are on the stand of Citroën, which took over five per cent of Britain's new car sales in August.

Daihatsu's under £12,000 Bertone-styled, BMW 1.6 litre engine Freeclimber 4x4 is assembled in Europe and comes outside the agreement limiting UK sales of Japanese cars

to 11 per cent of total registrations. This will make it practical for Daihatsu (UK) to import about 600 Mira microcars next year. This tiny five-door has an 850 cc, 3-cylinder multi-valve engine and five-speed gearbox. It will retail at around £6,000, with a three-year, unlimited mileage warranty.

Compare it with Fiat's 900 cc, 4-cylinder Cinquecento baby car, due in Britain early next year.

Ford is showing the face-lifted Escort and Orion powered by the new 16-valve Zeta engines. Hyundai

da's turbocharged Scoupe now has performance to match its sporty looks.

Although Honda's British-made Accord is about the new 140 mph Prelude VTEC coupé is being claimed (by Honda) as Europe's safest car. Apart from ABS brakes and electronically controlled 4-wheel steering it has driver and passenger side airbags as standard equipment. Its 2,157 cc four-cylinder engine produces a remarkable 185 horsepower and is said to be significantly less thirsty than that of equally potent rivals. Mercedes, which has announced that driver's side airbags are to be standard on all its cars, is showing revised versions of many current models with multi-valve engines.

Mitsubishi's made-in-Australia 3-litre Sigma estate car and the restyled Lancer liftback range are new to Britain.

One of the most important British-made cars at the NEC is the new Nissan Micra compact hatchback, which goes on sale in the UK early in 1993. By that time the Spanish-built, up to 8-seat Nissan Serena multi-purpose vehicle, on show for the first time in Britain, will also be available.

Peugeot's best-selling, British-made 405 has a new interior, an easier-to-use boot and new engines, including the 1.9-litre turbo-diesel

first seen in Citroën's ZX, to go with its class-leading ride and handling. The Safrane, Renault's 25 replacement, will compete with cars like the Ford Granada, Rover 800 and Vauxhall Carlton in the executive market.

Rover's MG RV8 has the looks of a 30-year-old MGB but a 3.5 litre Rover V8 engine and 5-speed gearbox give it far more performance. A curious mix in some ways, but its low volume production will keep the name alive and prepare the way for a really new MG.

The sleek Aero replaces the Carlton as the muscle car of Saab's Vivio. Subaru's cheeky little Vivio is good news for any potential run-about buyer living in Britain's snow belt. It has three-cylinders, instantly selectable four-wheel drive and five doors, all for just under £7,000, motoring 6 The Carina E, due to be rolling off the line at Burnaston, Derbyshire, in a few weeks; the latest 4.2 litre turbo-diesel Land Cruiser; and some entertaining oddities of concept cars, including one that drives on the road or hangs from a monorail, or on Toyota's stand.

More down to earth are Vauxhall's restyled Cavaliers, among them turbocharged 4x4 and V6 engine variants. Vauxhall Astras will be offered with driver's side airbags, a new automatic transmission and air conditioning early in 1993.

This looks like a smart move. With electronic enforcement of speed limits now a reality, cars of the future will have to be comfortable, easy to drive and safe above all else. The message seems to have gone home at Vauxhall.

Rugby League: Britain and Australia meet today in the World Cup final. Kevin Brown in Sydney, and John Hopkins assess the two sides

Hard workers in an industrial game

HAVE ANY industries been more closely associated with one sport than cotton, wool and coal mining with rugby league? As Geoffrey Moorhouse noted in *As the Game*, his book of essays about rugby league: "The industrial heartland of the north of England was powered by men who worked in the mills, foundries and pits of the region. In time the majority of rugby clubs in the north drew their playing strength from... these places."

There is therefore, a particular piquancy that at the moment that Britain's rugby league team has achieved its greatest success by reaching the final of the World Cup at Wembley this afternoon, 30 pits are being threatened with closure and British Coal is ending its sponsorship of Great Britain's rugby league team.

Eighty thousand spectators will be at Wembley to watch Britain play Australia, the world champions. Great Britain have improved so much recently that the Australian coach said the current side would beat its predecessors of four and six years ago by 30 points. Nevertheless, the Australians are the favourites. They have held the Ashes since 1970 and won the World Cup in 1975, 1977, 1985 and 1988.

"They are the champions. They have beaten us in the past two Test series," says Jonathan Devereux, the burly Widnes back who was in Great Britain's World Cup squad. "Their record stands for itself and in Allen Langer they have the outstanding player. If he was in our side then we would be favourites. He has got everything. He has

speed. He can read a game very well. He has electrifying pace over ten yards, which is what he needs to get through a gap. He can wrestle the ball clear of his opponents in a way that is almost uncanny for a small man. He is a good kicker and he is very tenacious."

If Langer, a scrum-half, is a potential match winner for Australia, then Martin Offiah is quite capable of doing the same for Great Britain. Offiah, whose nickname is Chariots, is the fastest man on the field so

long as the injury he appeared to be carrying last Sunday when he played in the Lancashire Cup Final has healed. Much will depend on him as it will, too, on Gary Schofield, Great Britain's captain, playing in the centre, and on the 35-year-old warhorse, Kevin Ward, in the front row.

If Great Britain win, and it is an even money bet that they will, then they will have demonstrated how much they have learnt from the Australians in the past ten years.

A decade ago British rugby league hit rock bottom. It was time for change and officials were dispatched from Britain to sit at the feet of men who had once been their pupils. They discovered that Australian rugby league was applying science to the art of football, setting scientifically determined standards for everything from diet to fitness.

Whereas in Britain many training sessions included unopposed rugby, the Australians favoured fierce physical contact in practice. This was one radical change. Another that the British noted was the way the Australians work with weights to develop their upper bodies. The British, up to then, had concentrated on building up the torso and legs.

The result was a generation of massive, fast-running men like Mal Meninga, the Australians' captain who is 6 ft 1 in and weighs 17 st 2 lbs. This afternoon he will face Gary Schofield who is 5 ft 8 in and 12 st 7 lbs. Schofield is wiser and heavier than he was when he met Meninga in 1984 and was thrown around like a rag doll, but he is still giving away five inches and 66 lbs.

The Australians did not stop there. They trained hard so that they could play the game at a fast pace. Having done all this, they set about shoring up their defence so that it was well-nigh unbreachable. "They put so much pressure on you when they have not got the ball that you start to make mistakes," says Davies, a member of Britain's 1990 Test team.

As the years went by, the Australians refined all these skills, making themselves more formidable still. One try in the second Test against Great Britain in 1990 bore out everything they had been trained to do. The ball was in play for 36 seconds and there were 16 passes before the try-scorer touched down. No other team could live with such an athletic, skilful approach.

The advances shown by the Australian rugby league teams were soon noticed by that country's rugby union authorities as well.



Pride of Lions: Great Britain's rugby league team during their last defeat against Australia at Sydney during the summer.

That code now produces big men of great athleticism, trained to a higher level of fitness than ever before. When these mastodons are teamed with key individuals in the key positions such as scrum-half, stand-off and full back, then the entire team whirs as smoothly as a Swiss watch. The result is that the Wallabies won the rugby union World Cup last year and there is no sign of their dominance being ended.

As the Australians were pushing

back the frontiers of the game, so in Britain it was being professionally administered and marketed. In the days of Eddie Waring commenting on BBC television on a Saturday afternoon, rugby league was, frankly, a joke.

To my eyes, used to the rhythm of rugby union, rugby league was nothing more than a series of crash, bang, wallop attacks. Six tackles and then something had to happen. The game seemed one-paced, physically unambitious, tactically sterile.

"Oooooop and oooooop" and "he's taking an early bath" were Waring's catch phrases.

Now it has become a game of considerable pace and skill - as you should see this afternoon. It is as different from the rugby league of 20 years ago as colour is from black and white television and jets are from propeller-driven aeroplanes.

"Rugby League has remained unusually true to itself" noted Moorhouse, "an expression of values as well as a challenge and an

entertainment now embedded deeply in the lives of generations on both sides of the world... But a game can be much more complex than patterns of athletic energy on a playing field. It can reflect and embody various habits and attitudes that amount to nothing less than a way of life and this game does."

Like rugby union, rugby league is a game in its prime.

J H

Australia's shrinking violets

THIRTY Australian sportsmen are about as common as possums in Pontypool. So why are London and Sydney suddenly crowded with shrinking violets talking down Australia's chances in today's Rugby League World Cup final at Wembley?

Kangaroos coach Bob Fulton set the tone before leaving for London, warning that Australia's 3-1 victory in the Ashes series earlier this year was no guide to form for the World Cup.

MOTORS

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"Great Britain should be favourites. We haven't got much in our favour. If we don't win at Wembley, our Ashes success won't mean the same. In football, people have short memories," Fulton moaned.

It doesn't seem to matter who you talk to. Kangaroos captain Mal Meninga and experienced second rower Bob Lindner both warn that Australia will have their work cut out to beat Great Britain.

Back in Australia, some of the experts are going even further. "If I had to put up my money I'd back the Poms," 1988 World Cup star Wayne Pearce told fans in Brisbane yesterday.

More is at stake than just the World Cup. Australia have towered over international

rugby league since 1970, the last time Great Britain won an Ashes series. But they have never led the all-time league table.

This year's Ashes games left Australia and Great Britain with 52 wins each since the first Test in 1908. A Kangaroos victory would justify Australian claims that Sydney is now the centre of world rugby league.

So are the wily Australians serious, or are they trying to disarm the despised Poms before sending out another team of fast-moving giants to take the trophy back to Sydney, its home since 1975?

Fulton is clearly concerned about the long lay-off enjoyed by the players since the end of the domestic season in September. Easy tour matches against

mediocre opposition like Sheffield, Huddersfield and Cumberland will have done little to restore match fitness.

And taking a break does affect performance: the world club championship, played in the Australian off-season, has never been won by an Australian side, in spite of Australia's dominance at international level.

Secondly, Australia's pre-eminence over the last 22 years has encouraged a focus on the domestic game, prompting many Australians to rate the local Winfield Cup competition ahead of international games. Some commentators fear the Kangaroos may not be hungry enough to win.

But the real cause of Australian caution is recent results, which suggest that playing

standards in other countries may be catching up, perhaps heralding the end of Australia's long period of dominance.

The first crack in the facade appeared in 1981, when Australia unexpectedly lost 34-8 in Melbourne in the first of a three match series against New Zealand. More seriously, Australia were thrashed 33-10 by Great Britain in June in the second Ashes Test, again in Melbourne.

For perhaps the first time two decades, the British made the Australians look ordinary. Significantly, the match was played in the kind of soft conditions the Australians are likely to face at Wembley.

Australia won the series after victories in Sydney and Brisbane, but no-one who saw the Sydney Test will forget the

electrifying sight of Martin Offiah twice getting away on the left wing, each time denied a try by the narrowest touch of boot on sideline.

Offiah's chances of escaping today must be improved by the absence of the injured Andrew Bringham, the top class full back who forced him into touch on both occasions. But as successive British tourists have discovered, the structure of the modern game in Australia produces teams which are very hard to beat. The Winfield Cup has expanded and strengthened considerably since 1980, and now includes teams from Queensland, Canberra and provincial New South Wales as well as Sydney.

The gradual enlargement of the competition has increased the pool of top players and coaches available to the national side, and helped the game maintain its dominance among Australia's four football codes, at least in the core rugby league states of New South Wales and Queensland.

Obviously for British fans, the strengthening process is likely to accelerate in the next couple of years, when the competition will be expanded to include Auckland in New Zealand, adding all the emotions of international football to the weekly league programme.

Like their British counterparts, Australian coaches put a lot of emphasis on commitment, physical fitness and tough tackling. But the dry sun-baked grounds also encourage speed and ball handling skills which are harder

to develop in the freezing dampness of English winters. The Australians have been fitted over the last few years from the inspirational captaincy of two outstanding players who epitomised all these qualities: "King" Wally Lewis from 1984 to 1990, and latterly Meninga, Australia's most capped player and record scorer with 250 points.

Meninga's success in replacing the legendary Lewis has played a big part in keeping Australia at the top of the rugby league tree, but it places a huge responsibility on him in the final.

If Meninga and Allan Lange fire on the Wembley turf Australia's weasel words over the last few days are likely to be quickly forgotten. If they do not, all the advance excuses are unlikely to protect Fulton and his men from a raucous reception back in Sydney.

K I

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HOW TO SPEND IT



Deborah Sears' delicate blue and white Landscape pattern on her Isis Ceramics

It'll be blue and white on the night

Lucia van der Post treads — delicately — through the china shops

HERE ARE those for whom the fad for blue and white china seems just that — faddish, a modish sort of cult, promulgated by interior decorators who are fond of placing elaborate pieces against strategically-chosen backgrounds. I will nail my colours to the mast. I love it. I collect it. I could never have enough of it.

I understand why the English went wild when they first caught sight of those delicately hued pieces from China and Japan, how they marvelled at the Persian mosaics and beat a steady trail to The Hague to collect Dutch Delftware. No wonder the Staffordshire potteries soon started to experiment with their own versions of the ancient glazes.

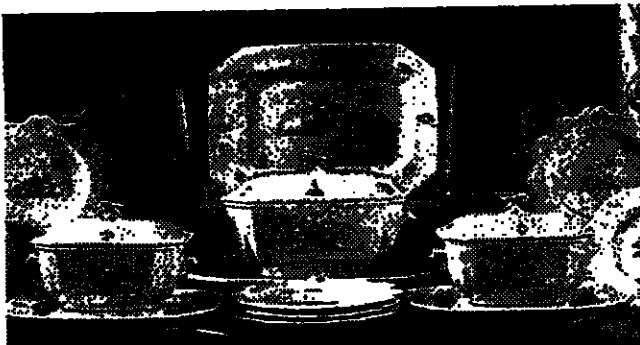
Not so long ago anybody with an eye and enough energy to scour the markets could have picked up considerable collections of blue and white for quite affordable sums. Those days are long gone.

A single dinner plate in a good blue Minton, Spode or Worcester will not leave much change out of £30 — which means one thinks several times before producing it to serve the lasagne. Some companies, most notably Spode, do produce contemporary versions of 18th century patterns, but most lack the subtlety and depth of their 18th century counterparts.

However, three designers, each influenced by the subtle charm of traditional blue and white and each wanting to



Richly-hued blue and white from Joanna Howells



A grand dinner service, 18th century-style, from Braithwaite and Scott

explore the traditional glazes in their own way, have produced new versions of age-old patterns.

The ranges are not cheap — but then they never were, the rarity and costliness of the blue and white pigments played no small part in their desirability in the 18th century

— but all are beautiful and the sort of china that you would want to guard carefully and hand on to your children.

William Yeoward, who already runs a painted furniture business in London's Chelsea, has just set up a company to reproduce 18th and 19th century dinner services and creamware with the simple old English shapes that used to be so prevalent and are now so hard to find.

"I wanted to reintroduce all those generously sized plates and bowls, those lovely tureens, complete with their lids, and to do for the dinner services what Divertimenti and Tricia Guild have done for earthenware."

Pavilion, photographed here (bottom), is the blue and white version he has produced. Inspired by Delft ware, all the pieces are hand-painted on a pale blue background and, if you look carefully, you will see that each piece sports one of eight pavilion motifs.

Each piece has a cartouche of an 18th century urn at the top. There are two sizes of serving tureen, one for soup, the other for vegetables, both with lids. There are four different sizes of plate. It took at least two years to get the designs right as old moulds had to be resurrected to get the shapes he wanted.

For the first collection there are seven sets — some breakfast, some dessert, and some running the gamut. In my view Pavilion is the nicest but Housekeeper's and Creamware Service also has a gentle appealing Englishness about it — lovely plain cream pieces with rust-coloured edges and a simple central motif. Tureens and serving dishes are gorgeous.

Prices range from £30 for a tea plate, to £35 for other plates while a soup tureen is £110 and a vegetable tureen £93.

The complete range of Braithwaite and Scott china is at 336 Kings Road, London SW3.

Deborah Sears is the driving force behind Isis Ceramics which specialises almost exclusively in blue glazes on white earthenware and now offers some seven different patterns. Word of her work has already got out, collectors are begin-

ning to home in on each new piece and top stores such as Bergdorf Goodman in New York and Takashimaya in Tokyo sell it.

Deborah's painterly background can be seen clearly in the delicacy of the designs on the pieces photographed here. She produces pieces in the authentic English Delftware tradition and uses only original glazes and pigments such as cobalt and tin. All the pieces are hand-painted.

Besides the tableware there are also decorative pieces such as lamp bases and the lidded jar and vases shown in the photograph. Besides Landscape, the pattern pictured above, there is the enormously popular English Garden, based on a 17th century theatrical garden, as well as tulip and animal motifs.

Prices for the bigger pieces may seem expensive — £50 for a large platter, £50 for a colander bowl (which, incidentally, makes a most wonderful piece for arranging flowers as well as fruit or vegetables) — but there are smaller things, such as the hugely popular flower bricks which sell for about £30 each.

Readers are welcome to go to Deborah Sears' studio, an old Victorian workshop, at The Old Toile Factory, 120a Marlborough Road, Oxford OX1 4LS (tel: 0865-722739) to see and buy the work. She is open on weekdays from 10 am to 4 pm but during December will be open on Saturdays as well. A good range of Isis Ceramics can be seen at The General Trading Company, 144 Sloane Street, London SW1, Thomas Goode, 19 South Audley Street, London W1, The Oxford Collection in Oxford and Flemings of Richmond.

Joanna Howells came to love ceramics in general — and blue and white in particular — when training to be a doctor at Cambridge. She used to wander around the Fitzwilliam Museum and came upon the collection of Song porcelain. She, too, makes all her pieces individually — each is thrown and then hand-painted.

Her work is less delicate, more richly hued than the subtle pieces of Deborah Sears. So far there are just a few patterns — Heavenly Bodies, which besides its deep blues also has 18 carat gold and burnished platinum, Hibiscus, which is more delicately hued, Seahorses and Lilly.

Prices range from about £60 for a lamp base to £49 for a standard bowl. A spectacular 18 in bowl would be about £140. Joanna's work is stocked by the V & A shop at The V & A Museum, Brompton Road, South Kensington, London; Preston & Buller, of Wimbledon, and New Moon of Hatfield, Hertfordshire. She can also be contacted at her workshop, 2 Albion Square, London E8 4ES. Tel: 081-341-7306.

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An old style gent



Hackett style... top: a gun club check jacket in brown, £255; blue shirt, £45; silk tie, £35. Above left: Lowest Lambeth cardigan, £55, worn with jeans cut to mid-thigh, £55 and a blue check shirt, £45. Above right: shaving and toothbrush set, £20, a havana bottle shaving and toothbrush set, £20, enamel shaving brush, £20, enamel shaving bowl, £15, shaving soap refill, £1.50. Immediately above: a selection of Hackett's toiletries.

HACKETT MAN should be in clover. As from this week he now has his own complete gentleman's outfitters where nothing jars or is out of place.

There he can worship at the altar of tradition, Englishness, quality and all those other values so dear to the hearts of those whose preferred style of dress owes nothing whatever to Armani, St Laurent or anything that could remotely be labelled fashionable.

All the time-honoured products that Hackett man depends on are gathered together under one roof. If it were aimed at any other sort of chap one might be tempted to call it a men's department store but for Hackett man a gentleman's outfitters sets the mood exactly — it is what his kind of dressing is all about.

Its location is spot on, too, right in the heart of Sloane Ranger territory, next door to the Sloane's favourite shop, The General Trading Company, and around the corner from Peter Jones, epicentre of Sloane school runs.

The official opening of the flagship store (the store is already operating but there is a big glitzy opening next Thursday) is one big step forward in the development of the Hackett brand.

Ever since Alfred Dunhill perceived that Hackett was a brand with huge untapped potential — rumour has it that Lord Douro, Alfred Dunhill's chairman, is a regular Hackett dresser — and bought it in

June last year, plans have been brewing.

James Pow, the managing director recruited from Mulberry, has no qualms about opening a flagship store in the middle of a severe recession and sees it as the first step towards establishing a full-blown international brand.

"There is a big gap in the market between expensive Savile Row tailoring and High Street clothes."

"London needs a simplistic authentic gentleman's outfitters, a store with the feeling that Brooks Bros had 15 or more years ago. We want it all to be quietly, authentically English, with no pressure to buy, you will probably either like it all or dislike it all."

"I believe firmly that the 1980s were an over-fashioned time and that people now want to get away from frills and hype and look for quality and value for money."

Those who know and love the Hackett style already will be aware that it grew out of a love of the qualities found in the best second-hand clothing. Ashley Lloyd-Jennings and Jeremy Hackett are two immaculately dressed chaps who could not find modern menswear with the qualities that they admired. So they started to manufacture menswear to traditional standards.

The style of the new Hackett shop is a natural evolution from that. A sense of Englishness is fundamental to the store. According to James Pow, 99 per cent of the products are British-made.

There will be a made-to-measure service in suits (which basically means making personal adjustments to ready-made clothing) and a full bespoke service (prices around about the £395 mark). There will be all the usual masculine appurtenances from shirts to shoes and ties. Casual moleskin trousers sell for £55, tweed jackets, all made according to the stringent L.Loyd-Jennings/Hackett standards, for about £235.

How you regard those prices depends on where you normally shop — those who are used to Ralph Lauren prices will be impressed, those whose usual stamping-ground is Marks & Spencer may find the prices rather a shock. But before you judge look carefully at the quality of the fabric and the making.

New to Hackett is a collection of English-made leather goods (such as the black crossgrain travel shaving and toothbrush case, photographed here top right), while those who liked the old barber's shop in the Covent Garden store will be happy to know that a barber's shop has been reinstated at the new store.

Hackett is not — and cannot be — to everyone's taste. If Armani, Paul Smith or Boss are more your scene you may find it a little too traditional, a touch dapper or fusty. But, for every man who longs to dress in a way that is above and beyond fashion and who just wants to put on his clothes and then forget about them, Hackett has a lot to offer.

Hackett is at 137/138 Sloane Street, London SW1.

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MADE IN ENGLAND

HOW TO SPEND IT

Workers prepare their French revolution

YOU WOULD need to be a fairly assiduous follower of fashion to be absolutely au fait with what it is that Workers for Freedom do. Among a small, select, and international circle, they have had a serious following ever since they launched their first collection in 1985 and winning the British Designer of the Year Award in 1989 did them no harm at all.

They manage to produce a collection which does the almost impossible: it has English roots and international appeal. They manage to be English without being either eccentric or going down the slightly updated classic route. Many of the fabrics are hand-dyed, hand-painted or embroidered and this high class craft element imbues each garment with a quality that seems to be what the 90s consumer is looking for. If there is a word to describe their clothes, it has to be romantic, and if not romantic, then whimsical.

They are most famous for their deliciously frilled or embroidered shirts and fans like the model Catherine Bailey collect them, buying each new design as it comes out.

Frances Mossman, deputy course director in textile and fashion at the Royal College of Art, remembers when she first discovered them and how she bought their famous silk shirt with the embroidered roses in every colour they did it in.

"They have that magic thing of being romantic and classic at the same time. I keep all my Workers for Freedom clothes and when I bring them out

watched other friends of ours running big ad campaigns and film production companies by telephone and fax from their house in France and we realised we no longer had to be in London to operate."

They are, they swear, not giving up designing. It is more a search for a better way of living and working, away from the city. It is also, as many British designers have realised,

Lucia van der Post on two English designers who are moving to France

again find that they never look out of date." Paul McCartney used them to design the clothes for his world tour. Jonathan Price wears their suits when he is collecting awards.

For fans of Workers for Freedom there is both good news and bad. The bad is that Graham Fraser and Richard Nott, the duo behind the label, have closed their shop in Soho ("we were offered the kind of sum for our lease that we would have been silly to refuse") and are moving their entire operation to France. "We had

about the only way of cracking the magic Elm barrier.

"Somehow," says Graham, "we have many successful designers who achieve £1m turnover a year but it is almost impossible to expand in the UK as there is no manufacturing base for designers of our kind of size. In Japan companies will willingly produce 60 metres of a special fabric, here nobody is interested in anything but large runs. If we want to expand internationally - and we do - we have to be able to farm out the manufac-

turing, the distribution and the selling, which are not what we are best at in order to be able to concentrate on what we are best at which is the designing. It is why designers such as Rifat Ozbek, Jasper Conran, Katharine Hammett, John Galiano and Vivienne Westwood have had to seek management skills and extra funds abroad."

The winter collection is in the shops, the spring/summer group going into the shops after Christmas will be the last collection from London. There will be a hiccup while they miss next winter's collection and "reassess designer clothing, where it should be going and what it should be doing."

The good news is that for all those who find Workers for Freedom prices (from about £190 for a blouse to £400 for a jacket) beyond their means they have designed a spring/summer collection for Littlewoods mail order catalogue.

It will not be available until January, but in late December you can order a catalogue by phoning 0800-616-61156. Based entirely on black and white the most expensive garment in the collection is £49.99. There will be handknits for £34.99.



A whimsically hemmed petal skirt in hand-dyed black or charcoal silk organza, £390. The stud vest is in silk crepe de chine, the frill cardigan in black or stone viscose, £175. Workers for Freedom clothes are available in Harrods of Knightsbridge, London SW1, Liberty of Regent Street, W1, The Clothes Shop in Wilmslow, Cheshire, Eva in Ipswich, Suffolk, Hoopers of Cheltenham and Tunbridge Wells and Image of Bath.

Take a cheap plunge in the art market

THE ART market may be in a state of disarray, galleries may be folding, artists wondering how to pay their bills, but somehow the Contemporary Art Society manages to inject some fun and dash into the business of investing in a little art.

Other galleries are posher, other works of art finer but the Contemporary Art Society in its annual collaboration with Sainsbury's brings art right into the mainstream of ordinary life.

For a start there are the prices. They begin at £100 and the maximum is £1,750, far lower than the prices in most of the Cork Street galleries.

There are the works of art - everything from original paintings, to drawings and sculptures. There is also the atmosphere - much more like a marketplace than a hushed and pompous gallery. People come and people go; paintings go and are replaced by others. Customers seem to come from almost every walk of life. Some

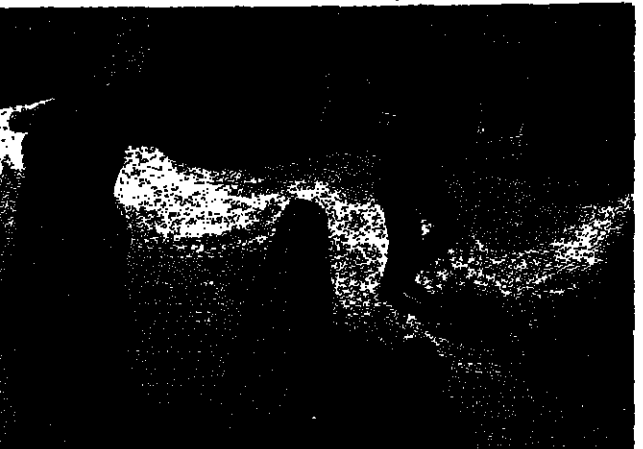
are young, some are old and what many of them have in common is they have grown to like buying art this way and come every year.

If you have a fine and distinguished collection of ancient masters, this is not the place for you but for those wanting to know where and how to start buying there could hardly be a better way.

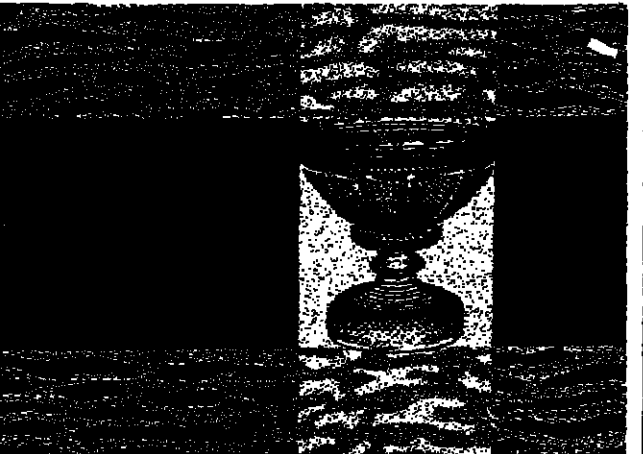
The Contemporary Art Society also runs a "Collecting on a Budget" course for those interested in buying the works of young, undiscovered artists. It costs £120 for six evenings and aims to give an idea of how to buy, what is available, to take those interested to see studios, auction houses, print-makers and galleries.

The exhibition is at Smith's Galleries, 26 Neale St, London, WC3 from October 27 to November 1, Tuesday to Friday, 11 am to 7 pm and on Saturday and Sunday from 11 am to 5 pm.

L v d P



"Hot Street", Oil on paper, by Mark Cazalet, £245.

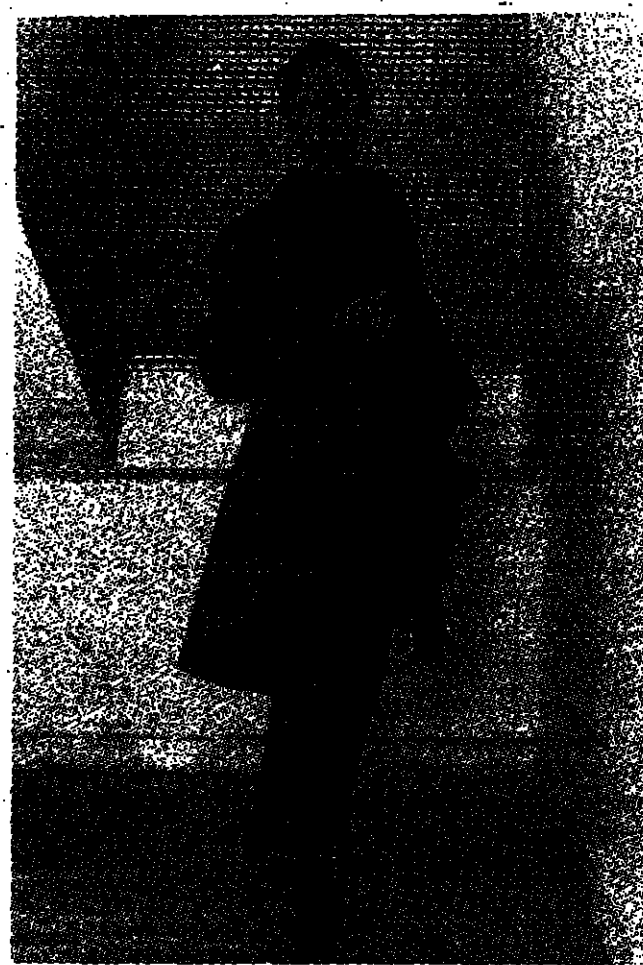


Transience, a screenprint by Aileen Queally, £160.

DAKS CHECK. ENGLISH AS TEA AND MACAROONS AND RATHER MORE COMFORTABLE TO WEAR.

In an English country garden, you're just as likely to come across a DAKS check as you are to bump into a prickly bush or shrub of the genus *Rosa*. The distinctive natural colours and classic DAKS cut are always unmistakable. So too is the relaxed, light and airy demeanour of the hopelessly over-privileged people inside it.

DAKS



Romantic cavalier for evening. Stone wool jacket with buttons down the edge, £345, worn over a brown or charcoal silk organza blouse, £195. The zebra-print silk pants in brown and black, grey and black, ivory and black or ivory and stone, are £235; the ankle boots, £89.50 from Russell & Bromley, 24-25 New Bond Street and branches

FOOD AND DRINK

Châteaux owners face a variable '92 claret vintage

THE 1992 red Bordeaux vintage will almost certainly be variable. I cannot recall one more frustrating for chateau proprietors, less agreeable to witness or more uncomfortable for the pickers bent double between the muddy vine rows.

From September 28, when picking of the Cabernet-Sauvignon was generally due to start, there was heavy rain following a hot, humid August. By the end of September most of the earlier-ripening Merlot was in the fermentation vats and everywhere declared satisfactory. In two afternoons a good average crop was picked at Petrus: full-coloured and very fruity.

Later I tasted several vats of Merlot at Pavis and all had colour and fruit, though varying. A Merlot vintage will help St Emilion and Pomerol, badly hit in last year's frost. The Cabernets were not fully ripe and some growers panicked and picked early. The more sophisticated waited until the second week of October. Mouton-Rothschild recruited more than 800 pickers.

Twenty years ago these conditions, after a good flowering but a

mixed summer, would have resulted in, at best, a moderate, irregular vintage, with a good deal of rot. Since, expertise in vineyard and cellar has advanced greatly, and the keys to success this year lay in spraying, summer pruning (vendange verte) limited yields and the elimination of unripe or rotten grapes.

Mouton-Rothschild spent double its budget for spraying, and Latour

was as costly as the vintage itself.

Moueix, which owns or manages 12 properties, mostly in St Emilion and Pomerol, employed 62 people for 25 days to perform this delicate task, and La Mission-Haut Brion 50 for more than two weeks. Yields were pared with more important châteaux making less wine around 45 to 50 hl per hectare. Ch Margaux produced only 38 hl per hectare - the lowest in recent years.

merchants suggest that the first growths, which set a broad scale of prices for lower levels, should come down from their 1991 FF160 a bottle to FF120 or even to FF100, and leading seconds to FF70-FF80.

However, these can be no reason for consumers to buy the 1992 clarets en primeur. In a variable vintage we can afford to wait two years until the wines are in bottle.

There will be great pressure on all but the most popular growths and merchants to sell en primeur. They desperately need cash, especially after the relatively small, disparaged but undervalued 1991 vintage. One well established Bordeaux house that sold FF120m of the 1990's en primeur disposed of only FF10m of the 1991s.

Nevertheless, although the Bordeaux wine world is in difficulties, in the 12 months ending in August red Bordeaux sales were down only 4 per cent on the year, and total exports were actually 2 per cent up, although British imports were 4 per cent down, albeit 13 per cent up in value. The good news is that the 1992 dry whites are excellent, and the crop is the largest since 1979.

Edmund Penning-Rowse goes to Bordeaux to assess the year in the vineyards

sprayed no fewer than 21 times instead of the normal 12. I saw truck fulls of healthy, sweet grapes in the cellars.

Thinning the bunches on the vine was almost unknown ten years ago, but this year Professor Pascal Ribereau-Gayon, head of Bordeaux University's oenological department said: "The great difference is between those who thinned and those who did not." Thinning is an expensive business which some said

Although the overall quality of the vintage will not be clear until after the winter, and blends are made for the grand vin, it will surely be a saleable one so long as prices reflect the vintage's size, the existence of large stocks of unsold, unseasoned claret throughout the fine-wine drinking world, and the recession. Prices must be at least 10 per cent lower than the 1991's - and they were down by 15-20 per cent on the 1990's. Some Bordeaux



Full-bodied, eccentric and amusing. No, not a second-growth claret but Ralph Steadman's light-hearted look at the wine world in his newly-published book *The Grapes of Ralph* (Ebury Press £19.99, 224 pages). Steadman's highly inventive illustrations can be seen at the Royal Festival Hall Foyer Galleries, Level 5, until November 15

Eating out in Berlin

Why it pays to have catholic tastes

Giles MacDonogh samples the Bamberger Reiter

GLANCE at the latest edition of the red Michelin guide to Germany quickly reveals the inequality: all those stars seem to have landed on the Roman Catholic parts of Germany: Bavaria, Baden and the Rhineland.

As you approach the old frontier between east and west stars disappear from view and the only gap in an otherwise dense cloud is west Berlin where you will find a modest tally of four one-star restaurants and even one two-star: Rockendörfer, which is, sadly, miles out in the sticks in Waldmannslust.

There may be few stars but there are plenty of places to eat. This profusion dates from the time when Berlin was a fun-loving island set in the grim eastern ocean.

People wanted to enjoy themselves often and it was more important that the restaurant was reasonably priced and lively than the chef should have had pretensions to haute cuisine.

There are still more restaurants in Berlin than in any other European city of comparable size; places representing pretty well every food culture under the sun.

The variety puts even London to shame. One night you will eat Italian, the next, Greek. The day after it is the turn of the Yugoslavs, the Spanish or the Argentinians, the Indians, the Chinese or the French.

There is a Kurdish restaurant in the Uhlandstrasse but given the plight of the poor Kurds I have never had the courage to try it. Naturally there are plenty of German places, most of them inspired by south German models.

In terms of typical Berlin food there is Hardtke in the Meineckstrasse (tel: 881-9827), if you feel like a mountainous Eisbein (pork knuckle) or a grating Schlachtel (a plate of sausages and pork cuts).

In the Mommsenstrasse there is even an east Prussian restaurant called Marjellchen (883-2676) where, after your Königsberger Klopse (meatballs) or Schlesisches Himmelreich (meat-filled dumplings) you may soothe your stomach with a tot of Barenfang (literally bear-trapper) a honeyed liqueur schnaps which used to serve as central heating in that

now vanished corner of Germany.

The one-star Bamberger Reiter in the Regensburgerstrasse no 7 (tel: 24 42 82) serves a refined modern cooking with some inspiration from south Germany and Austria. Dorothea Raneburger is Austrian and she is quite happy to tell you as much if you have not gleaned the fact from the indications on the menu and wine list.

The Bamberger Reiter is in a quiet leafy street in the centre of west Berlin. The restaurant is on the corner of Bambergerstrasse, hence the name alluding to the famous horseman in front of Bamberg Cathedral.

The restaurant is small and comfortable. Many of the diners appear to be regulars who are prepared to put up with fairly hefty prices to eat at one of the few top-class restaurants in Berlin. The menu is short with a couple of copious set menus; one with six courses, the other with seven and available only if the whole table takes it.

As a starter, some roast quails' breasts came with a chunk of buttery

foie gras set on slices of marinated celeriac. This was rather more exciting than some marinated wild salmon where the chef had gone overboard with the limes in his vinaigrette. For a little over £10 a feuilleté of foie gras and truffles on a bed of spinach was exceedingly generous given the amount of black truffles which had gone into it. A tomato consommé with a cottage cheese dumpling was another dish betraying Austrian influence.

Pigeon breasts are a house specialty. On the night I ate at the Bamberger Reiter they were served in a savoy cabbage, a sign that the French cuisine rustique had also taken a grip of this Berlin chef. Veal fillet was served with shiitake mushrooms and a dauphinoise of potatoes. I was a little disappointed at the farmed mushrooms; especially when there were so many good wild mushrooms available in the shops.

The cheese was also a disappointment: everything had been stored too cold to ripen and there was nothing out of the ordinary. Perhaps

this is yet another sign of Frau Raneburger's origins as cheese is one of the saddest areas of modern Austrian gastronomy, ruined by a combination of fussy state interference and obsessive pasteurisation.

Puddings are a better bet. There was a delicious apricot dumpling with a praline ice and some plum tart with vanilla ice; followed, as ever, by more petits fours than one might advisably eat.

The Bamberger Reiter has a good wine list which is particularly strong on Austria, with excellent Grüner Veltliner and Rieslings from the Wachau and Blaufränkisch red wines from the Burgenland.

Ordering Austrian wines is the way to Frau Raneburger's heart. At the end of the meal she came up beaming and gave us a glass of lovely (Austrian) apricot schnapps. Clearly, when it comes to eating out in Berlin, it pays to be catholic.

The Bamberger Reiter menus cost DM115 (£46) and DM155. A la carte you should assume at least £60 a head with decent wine. For half the price you can enjoy the Raneburgers' food in the bistro at the same address.

Appetisers

Weekend wine bargains

THIS IS the weekend to buy bottles from this year's winner of the WINE magazine Wine Merchant of the year title, Whitbread's Thresher/Wine Rack/Bottoms Up group of wine shops. They are offering a full 20 per cent off any 12 assorted bottles of wine or champagne, and 10 per cent off any six bought this weekend. Take advantage with their best lines such as fine Zind-Humbrecht Alsace whites, superior California Sainsbury Chardonnay and Pinot Noir, cliché-defying Spanish white Albariño Lagar de Cervera and Drappier champagne, which would come to £11.19 a bottle as part of a mixed dozen. *Janis Robinson*

Autumn is fast becoming the season of the international jet-setting chef. *Emile Jung, chef of the three-star Michelin restaurant*

Le Crocodile (tel: 88.32.13.02) in Strasbourg has just completed a two-week stint at La Souffle, the restaurant at the InterContinental, Hyde Park (071-409 331) and Michel Lorrain from the similarly rated La Côte St-Jacques in Joigny (86.62.02.70) has just been at Le Meridien on Piccadilly (071-734-8000) to put the finishing touches to the menu on which he acts as consultant.

Hot on their heels comes Ken Hom to the Langham Hilton. He will be cooking there from November 6-15 but, such is Hom's popularity, that those keen to sample his individualistic style should book early on 071-698-1000. *Nicholas Lander*

The phrase "wine club" is often a euphemism for extra profit margin but the BACUP Wine Club was set up specifically to generate funds for charity. The British Association of Cancer United Patients provides support to cancer sufferers and their families. A long-serving wine merchant so appreciated BACUP's work during his illness that he instituted the BACUP wine club, selling 10 different but reliable wines delivered by the dozen in aid of the celebrity sponsored charity. The prices are so reasonable that one almost has to double check that cases contain 12 and not six bottles. Just £21.35 will secure you 12 bottles of Sir Dirk Bogarde's favourite, a 1990 Cotes-du-Rhone, while a 1988 claret from the Cotes de Bourg is £26.75 a dozen. Delivery is free for five cases or more; £7.50 for smaller orders. For more information tel: 071-696-9003. *JR*

At the newly-opened Ransome's Dock restaurant in Battersea, south London (071-233-1611) there is a weekday set price lunch at £10.95 for three courses. Its Sunday brunch menu includes smoked haddock kedgeree (£4.50), roast duck with apple sauce (£8.50), lambburgers, rocket salad and chips for the children (£5.75) and treacle tart or baked apples (£2.95) as puddings. *NL*

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The fight for America's stomach

Nicholas Lander considers different US food lobbies

WHAT does the future hold for food in the US? Like the presidential election this is a three-cornered contest. Weighing in as the heavyweight, in terms of resources, clout and geographical spread, is the fast food movement. Its advance is remorseless reaching even the youngest generation; pre-packaged meals which your child can cook in the microwave and eat in front of the television.

The newcomer to the contest is represented by those who advocate dieting as a way of life. This group has become prominent in the fight against obesity. But it also has support from the neo-prohibitionist movement. The group manages to portray food and drink, especially alcohol, as the enemy. Backed by wealthy individuals and institutions, the group has bought considerable time on radio and television to proclaim its views.

Finally, somewhat battered but still fighting, is a group which has prospered significantly since the early 1980s when the US woke up to the potential pleasures of good food and wine. It consists of food producers, chefs and restaurant owners, wine makers and critics, food writers, farmers and the interested consumer.

Its figurehead, Julia Child, now aged 80, was recently in London. Child is as imposing now as she must have been in 1961 when she became America's first television cook. She has a ready smile and a sense of fun that belies her age and the gravity of her message. Today, Child believes, there are so many conflicting and confusing reports of what is good, or bad, to eat that

Americans are in danger of associating nutrition with guilt and developing a genuine fear of food.

In the forthcoming contest it would be foolish to underestimate the mettle of Child and her younger disciples. It is far too simplistic to see her as just a successful cookery writer - her books have sold in millions all over the world - Child is also one of the co-founders of the American Institute of Wine and Food which, via demonstrations by professional chefs, seminars and a quarterly magazine, has established considerable support across the US.

Recession and increased state taxes on the California wine producers, the institute's biggest financial supporters, had weakened the institute but it has emerged rejuvenated after an organisational overhaul. Child seems confident about its future.

In an outline of the group's strategy she said it was important to acknowledge the dangers of excess, be it in alcohol or cream, and preach moderation. Secondly, she felt it was the institute's duty to bring the fun back into cooking and eating and, most importantly, Child hopes to see off the opposition by continuing to place a strong emphasis on educating people about food.

The masters degree in gastronomy which she has helped to establish at Boston University will, she hopes, be the first of many.

The American Institute of Wine and Food, Suite 700, 1550 Bryant Street, San Francisco, California, CA 94103, tel 415-255-3000, and now with a British chapter at 114, Marylebone Lane, London W1M 6BH, tel: 071-835 3503.



Julia Child: 6ft 2in tall and an imposing figure

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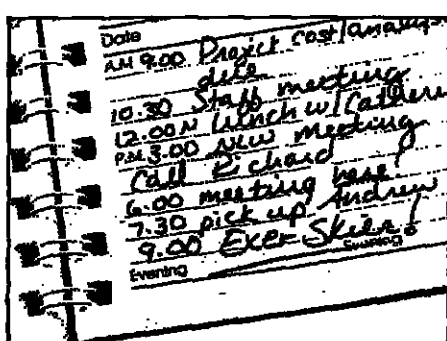
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FOOD & DRINK

Grand Hotel

Hobbling but still happy
in Hong Kong's finest

HOTEL INSPECTORS and travel writers are continually searching for new ways of putting the top hotels of the world to the test. Some years ago a Sunday paper sent reporters to London's most expensive hotels and demanded a manual typewriter at 2am.

My way of putting the Mandarin, Hong Kong to the test was more original, if slightly more painful. When I arrived on my first night I was having trouble walking owing to a ripped muscle. At 3.30 am the following morning I was lying in the doctor's office on the second floor of the hotel awaiting a miracle cure and the end to my distress.

The rest of that day was spent in a lonely but very comfortable bedroom looking out, when the rain allowed, at the Hong Kong Club and the hypnotic harbour. Early evening I was ready for a gentle stroll and immediately appreciated the Mandarin's two most coveted assets - its staff and the hotel lobby.

First, an assistant manager then a duty manager came to ask about my health. During the rest of my stay I was continually impressed by a level of service that managed to be prompt and professional, polite

and yet friendly. The hotel's management structure - an Italian general manager, Chinese and European line management, including one Norwegian and the rest predominantly Chinese and Filipino - may be unusual but it is highly effective.

The lobby itself is not large, only 3,000 sq ft, with a raised area the same size comprising the Clipper Lounge, but it is THE place to view *le tout Hong Kong*. Conveniently located opposite the Star Ferry it is

and, with only 25 floors, petite (the Crown Plaza nearby, soon to be the tallest building in Asia, boasts 78). Viewed from an incoming Star Ferry it looks squat, almost fat, but very secure.

These external characteristics are mirrored internally. When the Mandarin was built land in Hong Kong was less valuable than it is today and the internal walls, a generous 3ft thick, keep out the noise from neighbours and plumbing. However, they also preclude drastic change.

less time - wants shortcuts not initially part of the hotel's makeup.

Hence the somewhat incongruous appearance among the Floris collection in the bathroom (sadly, no nailbrush) of a packet of soap flakes and an extendable drying line for those who cannot take advantage of one of attractions of travelling in the Far East - the laundry service. And there is still a 24 hour room service, although there is heated discussion among the hotel management as to whether an electric kettle and instant tea and coffee in the rooms would not go against the Mandarin tradition.

But in Hong Kong, with an indigenous population of 5.5m and 120,000 visitors a week, the bedrooms are only a small part of an hotel's raison d'être. Everyone eats out, and the hotels have not turned their back on non-residents, as is so often the case in London, but instead have converted their restaurants, bars and public areas into bustling meeting places.

I never saw the Mandarin's Coffee Shop quiet or the Clipper Lounge without a small expectant queue. In its ten food and beverage outlets the hotel serves more than 3,000 meals a day. More than 60 per cent

Nicholas Lander puts the Mandarin to the test and comes up smiling

not only the entrance to the hotel but also a thoroughfare between Connaught and Chater Streets.

The lobby monitors those who have just come from Kowloon as they scurry to their offices in the Central District and many more who call in for a relaxed drink before the boat home. It is a canvas for the guests to decorate and I sat down and stared unashamedly.

The Mandarin - built in 1963 - is ancient by Hong Kong standards

In 1963 bidets and separate showers were unheard of and, although no five star hotel would be without them today, this internal solidity still precludes their introduction.

The Mandarin management seems acutely aware that its customer profile is changing. The quintessential Mandarin guest of the 1960s and 1970s was invariably a businessman who had time for all the hotel's services. Today's business traveller - younger and with



Pretty in pastel: one of the Mandarin's bedrooms

of the hotel's 950 staff are involved on this side of the operation and there is a tasteful attention to detail - even mundane morning cereal becomes a delight when served with fresh papaya. My only culinary disappointment was the hotel's Chinese restaurant, the Man Wah, in

spite of its exciting close-up views of the Bank of China and Hongkong and Shanghai buildings.

I knew it was time to pack my bags when the Mandarin lobby began to work its magic on me. Walking out of the hotel's Business Centre I bumped into a friend from

the North of England whom I see but once a year - at a wine weekend in the Highlands of Scotland.

■ The Mandarin, 5, Connaught Road, Central, tel 522-0111, fax 810-6190. Rooms from HK\$2,000 plus sales tax and service.

Cookery/Philippa Davenport

Why it's time
to get back
to basics

B RITISH summer time ends tonight and winter officially begins. As the days draw in, our need for comfort foods grows stronger. Now is the time to go back to our roots and enjoy the best of British.

My first recipe comes from Arabella Boxer's *Book of English Food* (Hodder & Stoughton £17.99), a captivating exploration and celebration of the flowering of English cooking in the 1920s and '30s. I rejoiced in this book when it was published last year. Just recently it has won Boxer, most deservedly, the Michael Smith Macallan award for fine writing about British food.

My second recipe is taken from a book to be published in paperback next week, Jennifer Brenna's *Cakes and Buns* (Penguin £12.99). An affectionate portrait of lives and foods of the British Raj, this volume, like Boxer's, is a well written blend of history, anecdote and recipes.

ROAST HAUNCH
OF VENISON

(serves 3)

While young roe deer may not actually need marinating, in this recipe the marinade becomes part of the dish and forms the basis of the sauce.

5-6 lb haunch of roe (or fallow) deer; 6 tablespoons olive oil; about ¼ pt chicken stock; 1 teaspoon flour stirred into ¼ pt soured cream.

For the marinade: 1 onion; 2 shallots; 2 garlic cloves; 1 large carrot; 1 celery stalk; 3 tablespoons olive oil; 1 bottle red wine; 3 large parsley sprigs; 8 black peppercorns; 8 juniper berries; 2 bay leaves.

Slice the marinade vegetables and cook them in the oil for five minutes, stirring now and then. Add the remaining marinade ingredients plus half a tablespoon of sea salt. Simmer, covered, for 45 minutes, then cool. Pour the (unstrained) marinade over the venison. Leave for one to two days in a cool place, turning the meat twice a day.

When ready, drain the haunch and dry it. Discard the marinade herbs and lay the sliced vegetables in the bottom of a roasting tin. Rub the haunch with 2 tablespoons olive oil and lay it on the vegetables.

Roast for 20 minutes at 425 F (220 C) gas mark 7. Reduce oven temperature to 350 F (180 C) gas mark 4 and roast for 20 minutes per pound in all. Once the meat has gone into the oven, warm ¼ pt of the strained marinade with 4 tablespoons olive oil. Once the oven heat has been reduced, start to baste the meat with this mixture.

When the joint has finished cooking, transfer it to a serving dish, cover loosely with foil and a thick towel and let it rest for 20 minutes before carving.

Now make the sauce. Process the vegetables from the roasting tin (except any that are burnt), adding the juices from the tin and some chicken stock - enough to make about ½ pt. Add the smoothly amalgamated sour cream mixture and process again. Strain and

reheat, seasoning to taste and stirring constantly. Simmer for 3 to 4 minutes then pour the sauce into a heated jug, and serve with the venison and a purée of mixed root vegetables and some Brussels sprouts.

BRAISED VEAL IN THE
MOGUL MANNER

(serves 3)

For the marinade: a boned shoulder of veal weighing about 5 lb; 6 oz plain yoghurt; 1 large onion, chopped; 2 inch ginger root, chopped; 1 garlic clove, smashed; a pinch of saffron soaked in 2 tablespoons warm milk; the zest of half a lemon.

For the stuffing and cooking: 4 tablespoons ghee or clarified butter; 6 oz long grain rice, washed and drained; 2 inch cinnamon sticks; 4 cloves; 4 cardamom pods, crushed; 1 teaspoon freshly grated nutmeg; ½ teaspoon ground turmeric; 5 fl oz chicken stock; 2 oz sultanas; 4 oz shelled pistachios; 8 baby white onions; ½ pt double cream; the juice of half a lemon; 2 tablespoons chopped parsley.

Lay the veal flat and cut a deep, horizontal pocket into the inside surface of the meat. Process the yoghurt, onion, ginger and garlic until smooth. Mix in the saffron and its liquid, the lemon zest, ½ teaspoon salt and ¼ teaspoon freshly ground black pepper. Turn the veal in the mixture and leave to marinate for at least six hours or overnight.

Meanwhile, prepare the stuffing. Sauté the rice in 1 tablespoon ghee until the grains are white and opaque. Add the spices and stir for one minute. Add the stock, sultanas and half the nuts. Cover and simmer for 15 minutes or until all moisture is absorbed and the whole spices lie on the surface. Discard the cinnamon and cloves.

Drain the veal, reserving the marinade, and stuff the pocket with the rice. Lay any surplus in the middle of the piece of meat. Roll up the veal tightly and secure with string.

Lightly brown the joint in 2 tablespoons ghee in a flameproof casserole. Pour on the reserved marinade, cover and braise at 350 F (180 C) gas mark 4 for 2½ hours, or 25-30 minutes per pound of meat.

Twenty minutes before the veal is ready, place the onions round the meat. Cover and cook for 10 minutes. Remove the onions and keep warm. Cook the veal for a further 10 minutes without the lid.

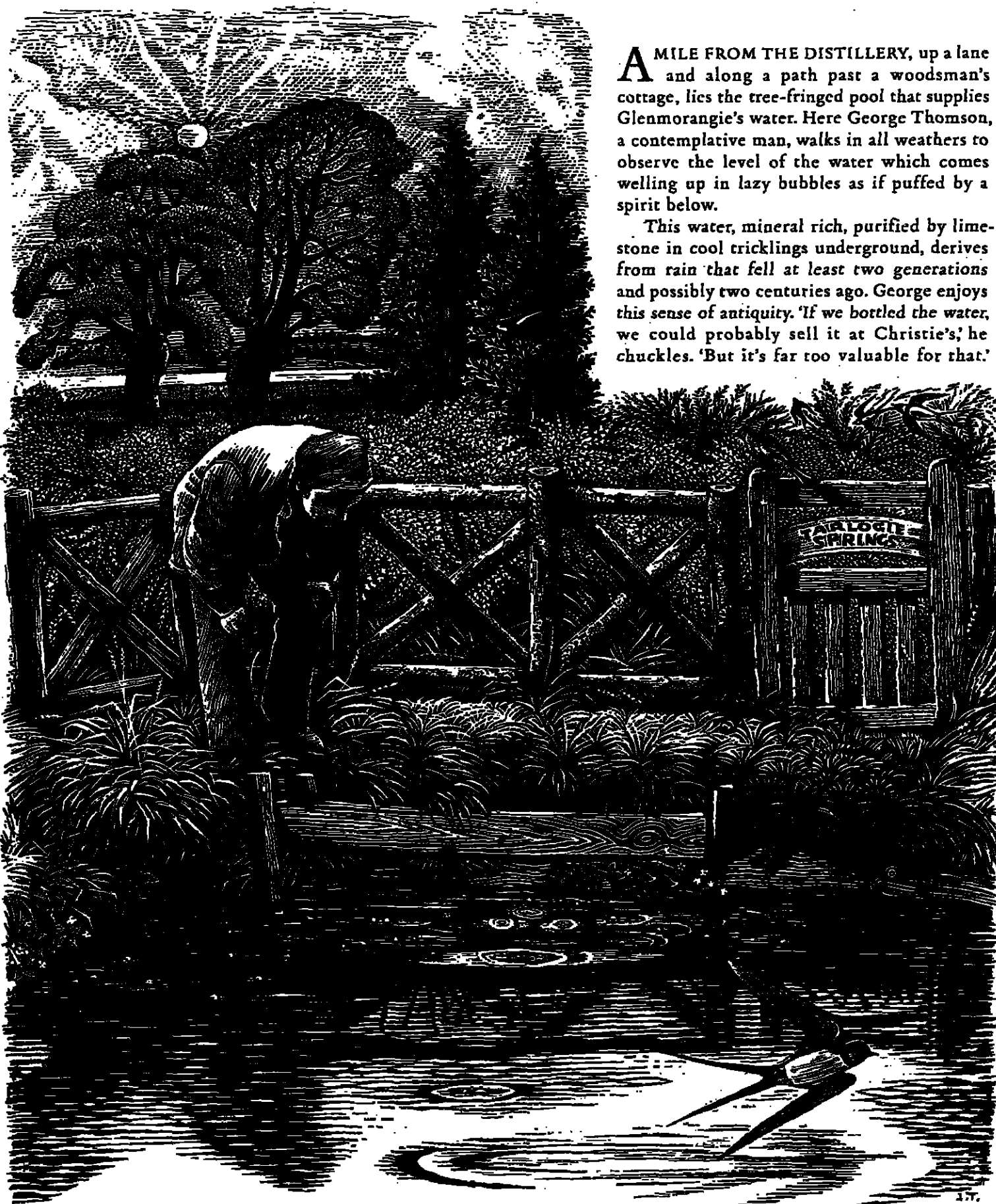
Lift the veal on to a serving platter and keep it hot in the switched-off oven. Place the casserole over moderate heat and reduce the gravy until quite thick, stirring to prevent burning. Add the cream and stir over low heat until the sauce is the consistency of thick custard. Add the lemon juice, season and pour the sauce over the veal.

Crush the remaining pistachios. Sauté them quickly in the last tablespoon of ghee and sprinkle them over the veal. Dip the onion tops in parsley to give them green caps. Set them round the meat and serve.

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TRAVEL

Nuremberg: a town that hid its shadows

THE LADY at the hotel desk looked blank. "Where were the rallies held?" I asked again. "The Nuremberg rallies?" I felt like Basil Fawlty. I had vowed not to mention the second world war or Hitler, but had a dreadful feeling I was about to do so. Finally she flailed an arm crossly in an easterly direction - with a little coaching she could play Sybil Fawlty - and said something about a football stadium. Hopeless...

I had driven into Nuremberg on my way from Italy to Prague. I needed a stop-over and the road signs had stirred in me a terrible curiosity. Out there on the A-bahn, Wagner floated into my head - "O Nürnberg, die alte Stadt" - and I fantasised a town full of wise old cobblers slinging through mullioned windows. Then, with a change of octave, the music of evil took over, no less fascinating. This is the town where a madman licensed by 60m people barked down a banner-lined avenue while the world skidded towards Doomsday.

"Ze stadium, ja," said Fraulein Fawley, seeming finally to understand. "Ze parkplatz!" She was still waving an arm at the non-mullioned window of my edge-of-town Novotel in a way that baffled me, so I decided to go for a walk and let my feet lead me. I followed a busy peripheral road that curved promisingly towards distant roofs and TV aerials. After 10 minutes I found a parking area to the left that I could cross towards the city.

But there was something suspicious about this space. A mile long by 70 yards wide, it was a large rectangle paved with concrete slabs, marked here and there with formal patterns. On either side, half-eaten

by time and encroaching trees, were battered stone steps that suggested bygone spectator stands. A few equally battered cars and vans were parked at the edges of this giant arena, beside which gypsies and gastarbeiter families were cooking meals.

Further down the avenue I saw the tall-tale signs. This was the site of the Nuremberg rallies, and after the shock of realisation I inwardly cheered the fact that it is now given over - by accident, if not design - to an undiscriminating inter-racial dereliction. What would that arch ethnic

Nigel Andrews searches for traces of an infamous past

cleanser think of all the non-Aryans now barbecuing their kebabs on his sanctum sanctorum?

Walking on towards the city, you see more evidence: the absurd and hideous Kongresshaus building a Nazi version of Rome's Colosseum (used today for little but pop concerts); further off, the Stadion, now changed from a meeting-place for the Hitler Youth into the HQ of Nuremberg Football Club; to the north, the ruins of the Zeppelinfeld, a time-warped collage of terraces and towers commemorating the glory that was Albert Speer.

The ghost of Hitler is everywhere in this bombastic shadowland. As Leni Riefenstahl's autobiography lately showed us, the Nuremberg rallies were Hollywood come to Bavaria. Sixty years ago she was here with her Führer, camera in hand, purring up and down the giant steel flagpole in the

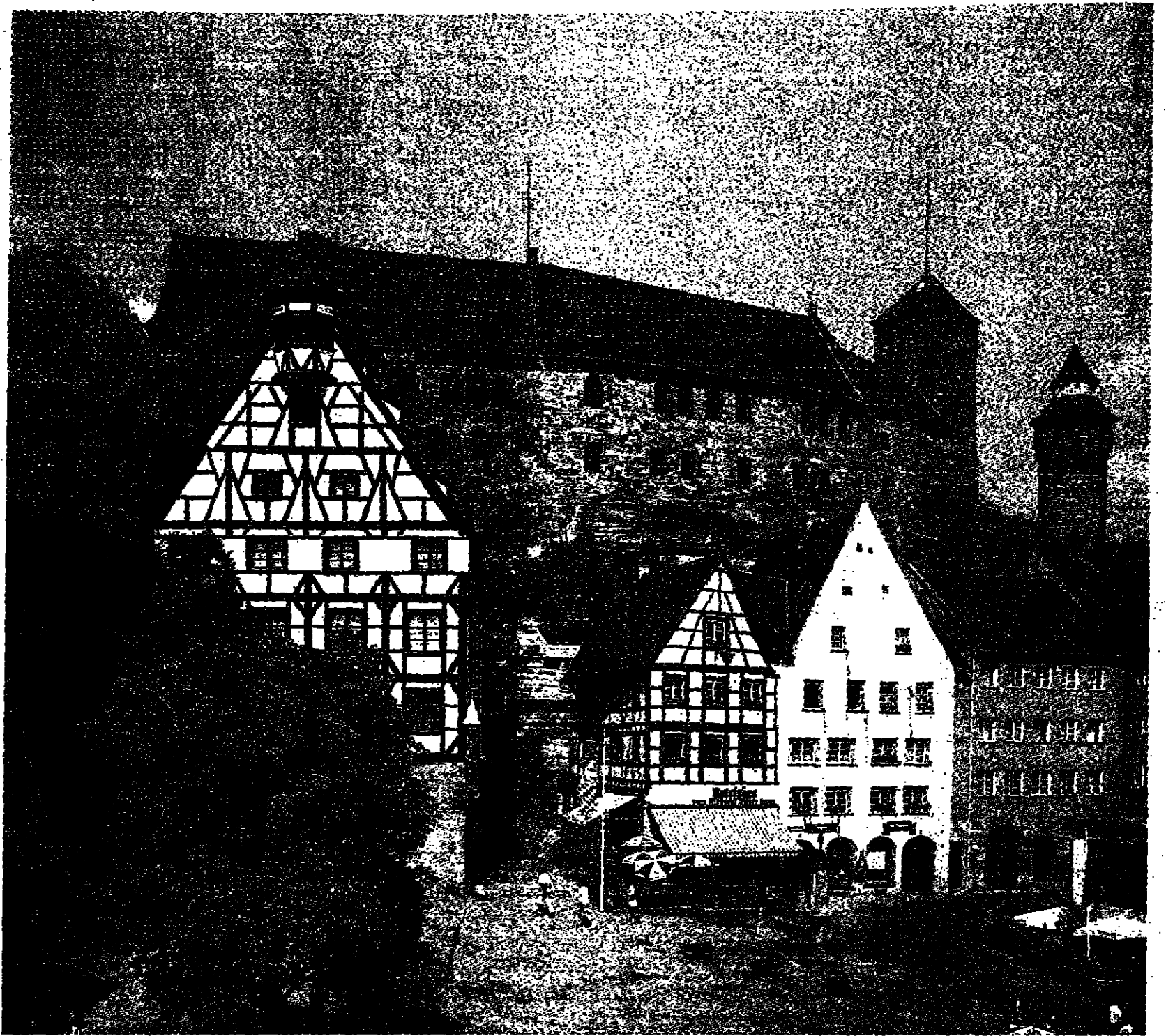
hydraulic lift Speer had designed specially for her. The result, Riefenstahl's feature-length record of the Nuremberg rallies, *Triumph Of The Will*, is still the most chilling present any city ever had from a director working hand-in-glove with a dictator.

By now the casual visitor feels he has strayed into an episode of *The Twilight Zone*. How to return to reality? Crossing the Luitpoldheim, the city park dotted with further, more neatened remains of the Reich, I passed a big modern building with welcoming lights winking through small ground-floor windows. Ah, probably a hotel. I peered into one window. A dozen men and women in mediaeval dress were clinking goblets while a harpist strummed an instrument.

Still in *The Twilight Zone*. But I soon discovered that this was the Mastersingers Hall, where mediaeval gear is normal. Indeed, you would probably be thrown out if you did not come dressed as Eva, Sachs or Walther Von Stolzing. Not far away, if you are a stickler for the real thing, is the gothic church of St Martha which served as the original Mastersingers Hall.

By now I had had enough through-the-looking-glass experiences and was becoming interested in a through-the-restaurant-door experience. Nuremberg abounds in Bavarian eateries where steamy excess is the by-phrasé. Meeting up with a German friend, I ate at a tavern where main host piles one's plate with enough grilled meat to sink a U-boat. Sauages, chops, liver, kidneys, steaks, more sausages, all washed down with a large stein of cold Heineken.

Now it was mid-afternoon: time to see the Old Town. Nuremberg was badly bombed in January 1945, so much of the



Kaiserburg Castle in Nuremberg: a rare jewel in a largely restored town

"Alte Stadt" serenaded by Hans Sachs has been restored or re-touched. This may explain its dinky feel. Contoured in little hills and dips with jewel-like Gothic churches nudging half-timbered houses, and the canal giving a winsome reflection to willow-lined mansions, it all seems too good to be true - like a theme park sector

marked "Germanyland."

But there are real jewels here among the mock-ups. Albrecht Dürer's house, authentic to the last exposed beam, leans invitingly at the edge of a picturesque square, requiring you to enter and admire Albrecht's taste in severe interior decor. His paintings are in another part of town at the German National Museum.

The Toy Museum is a Grade I disorientation experience. It transports you straight back to your childhood - or Germany's childhood - as you admire the gizmos, follies and knick-knacks commemorating

Nuremberg's history as a guidebook tells me, the world capital of toy production. I especially enjoyed the toy horse that, when wound up, plays an excerpt from *Die Meistersinger* and then jumps over a large frog.

As for the churches, you must not miss the Frauenkirche and Saint Sebaldus. The first was originally commissioned as a court chapel by Emperor Charles IV, but was gussied up in the 16th century by the addition of a cable, an oriel and a charming tinkling clock-mechanism. The older Saint Sebaldus houses a priceless cornucopia of carvings,

sculptures and richly-wrought shrines.

Though I stayed at the Novotel, simply because it was there, my German friend swears by the Zirbelstube Hotel on the Ludwig Canal: very picturesque, he insists, with one of the best restaurants in town.

Finally, though, I have a few reservations about Nuremberg. No, it should not be missed, and yes, it is stuffed with sight-seeing gems and relics of history. But too much of the town is sanitised in its presentation. You will not find the real Hans Sachs here: the old cobbler has fled to comfier, more mellifluous

lands, far from the squawking Beckmessers of the tourist trade.

Perhaps worse, you will not find the real Hitler here. A town that should exist as an Awful Warning to those who come after has largely tidied away its Nazi past: aided by hotel-keepers who do not understand their guests and gipsy families who scarcely know what ground they so heroically desecrate. It is good to put evil out of our heads; but only so long as it can be brought back whenever humanity, especially in these neo-Nazi times, needs a sharp dose of memory therapy.

Along greenstone paths, through parakeet forests

Angela Wigglesworth treks through the Southern Alps in New Zealand

"That," said Peter, our guide, pointing to the roof of a hut high up the mountain ahead of us, "is where we will have lunch."

IT SEEMED unlikely, but Peter was confident. We had set out early one cold summer morning to drive to the start of the 40-kilometre Routeburn Track that crosses New Zealand's Aspiring and Fiordland national parks and was once used by the Maori in their search for greenstone.

We were three rather inexperienced trekkers getting the taste of the Routeburn Track in a two-day walk and returning each night to comfortable Homestay (bed and breakfast) accommodation in Queenstown, New Zealand's most popular holiday resort, on South Island.

The first day we planned to reach the Routeburn Falls hut at 975 metres and, if energetic enough, continue up to the Harris Saddle, the highest point (1,271m) on the track. Our group consisted of Ben Harris, a Rhode Island lawyer, his wife Anne, fleet of foot and always in the lead, myself and Peter, a knowledgeable and considerate guide who kept us going with coffee breaks, picnic lunches and water from the mountain streams.

"Every day is a good day when it doesn't rain," said Peter (it is a notoriously rainy area), as we set off alongside the Routeburn Gorge, the river foaming over the rocks, the forest green and lush with giant ferns and thick moss on the trunks of fallen trees. We crossed rivers and streams, one person at a time, on long, swaying wooden bridges, saw a yellow parakeet in the trees and bush robins at our feet.

Two hours later the path became rockier and steeper, the sun hotter, but by 12.30 we had reached the Falls hut. It had 30 bunks and cooking facilities. Pleased with ourselves at having got there,

we sat on the verandah, ate lunch and enjoyed the view of mountain peaks covered in mid-summer snow.

Did we want to go on to the Harris Saddle? How could we not when we had come so far. White edelweiss, harebells, mountain daisies and snow tussock grass grew by the steep path, the bellbird sang its lovely song and in 90 minutes we reached Lake Harris, glittering blue and silver in the sun. Then it was on and up to the Harris Saddle with its fan-

skills, had to piggy-back his six passengers on to the shingle while he got the boat started again.

Then, in 20kms, we climbed 150m, skimming past Mt Alfred and the Routeburn Valley into the heart of the Southern Alps. Black-backed gulls flew over the dark trees on the mountains that rose steeply from the water's edge.

We left the boat at a rocky chasm and set off through the bush to Lake Sylvan, which, said Peter, was an hour-and-a-

half's easy stroll. It was not my idea of an easy stroll: we clambered over fallen tree trunks and had to watch our feet on the spongy, boggy moss. In early afternoon we reached Lake Sylvan, shimmering in hot sun. Geese and paradise ducks were on the water, shags on the far banks.

The walks had been organised by a small company called Outside Adventures owned by Richard and Elaine Bryant. Richard's great-grandfather came from Cornwall around 1862 and his family have been in the tourist business in New Zealand ever since. They offer tailor-made guided treks or one-day walks (one includes a return trip by helicopter) for those who do not have time to complete any of the famous treks but want to experience part of them.

Train and bus travel in New Zealand is much under-rated

by New Zealanders. Bus drivers ("My name's John, I'm your sizeologist") are jolly people who make jokes about the places you pass, deliver newspapers and mail, and are immensely helpful. Journeys are as sociable as you want them to be. My fellow travellers included a Japanese dry-cleaner who planned to be a farmer, an American couple in their late 70s who had just done the Milford track, a probation officer from Sheffield, and Gary, a young janitor from Louisiana.

Trains are comfortable, clean and punctual. I took a five-hour journey from Greymouth to Christchurch on the Trans Alpine Express, which has sheepskin-covered seats. We crossed spectacular gorges and went through 19 tunnels on the climb through the Southern Alps. Turquoise rivers ribboned across white river beds.

The Coastal Pacific Express, with many of the amenities of the Trans Alpine, goes up the east coast of South Island to Kaikoura, once a small fishing village, now famous for its whale-watching trips, and on to Blenheim and Picton for the inter-island ferry. We saw seals basking on the rocks in the blue sea.

Further north, near Blenheim, the centre of some of New Zealand's best vineyards, we passed the pink and blue lakes of the salt quarries and had a Devonshire cream tea at breakfast time.

Angela Wigglesworth was a guest of the New Zealand Tourism Board (New Zealand House, Haymarket, London SW1Y 4TQ), and flew with Air New Zealand (77 Fulham Palace Rd, London W6 8JA). For information about tailor-made treks, contact Outside Adventures, PO Box 347, Queenstown, New Zealand, tel: 03-442-1126. The Homestay accommodation offers comfortable beds, good food and friendly hosts.



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SKIING

IN ALMOST any other ski resort, the shops would be full of ski hats and sweatshirts with the name of the town emblazoned on them. Nothing so vulgar in the Italian Dolomites resort of Cortina d'Ampezzo, where you cannot buy a hat with Cortina on it for love nor life.

When I searched for one for my friend Nigel, so he could pretend he had been there, I was told politely that the shops in Cortina "simply didn't sell that kind of thing." The only possible place where I might find one, it was explained, was the Co-op. But not even it had anything so raff.

In Cortina a fur coat, not a ski hat, is the correct uniform. The resort makes Aspen, Colorado look like an amateur in the fur trade. Like a herd of mountain cats standing on their hind quarters, the furs come jostling down the Corso Italia, Cortina's main shopping street in waves - an endless stream of snug, snug, cosy elegance. Even customers at the Co-op wear them. But then this is no ordinary Co-op - how could it be in the most glittering pedestrian precinct in the Alps? Producers of even the most glitzy shops here do their window dressing and even sweep the pavements outside wearing furs.

Another trait in common with Aspen is that a surprising number of people come here not to ski, but to be seen. The slopes - unlike other Dolomite resorts close by - reflect this. The town may be crawling with partygoers by night - but where do they all go in the morning? I have rarely seen such little queuing at such a famous resort. Those who do ski often make a late start. Time by me - all the more of the 140 kilometres of runs (served by 56 lifts) to enjoy.

Cortina, set in a spectacular mountain amphitheatre, is the most famous of the Dolomite resorts and indeed its local mountains - Tofane, Cristallo, Pomagagnon, Cinque Torri, Croda da Lago and the Tre Cime di Lavaredo - are prime examples of dolomite: the so-called Dolomia Principales. But in skiing terms Cortina, to the north east of the region, remains distant from the rest of the Dolomites because it is not part of the Sella Ronda, a circuit of spectacular scenery but bland skiing around the Sella massif.

The four Sella Ronda circuit (Gardena, Fassa, Livinalunga and Badia) can be skied fairly comfortably (depending on queues) in a day. The circuit, which links the Sella, Pordoi, Campolongo and Gardena passes, comprises a number of small resorts including Cortina, Corvara, Arco, (new cable car this year) and San Cassiano, all clustered round the huge Gruppo Sella mountain, sometimes referred to as Europe's version of Table Mountain.

It is a remarkably scenic route with more than 27 cable cars and bubble-



Making tracks: skiing in the high country of the Italian Dolomites

The dizzy heights of fashion

Arnold Wilson dodges the fur coats in the Dolomites' top resorts

lifts, 50 or more chairlifts and 150 assorted drag lifts dotted around this hugely enjoyable ski circuit.

The word Dolomites is derived from the name of a French chemist and mineralogist called Deodat de Dolomieu who first described these mountains' unusual and beautiful rock formation in the late 1700s.

Apart from their unusual appearance - huge, often vertical monoliths of granite with jagged crags that punctuate the skyline, splashed red and pink as both sun and moon give attention - parts of the Dolomites have a complicated history.

Sandwiched between Austria and the vast Venetian plain, some of the mountain areas have found themselves in both camps and reflect the two cultures. Selva, for example (but not Cortina) has a strong traditional Austro-Hungarian influence. This makes possible the attractive prospect (in theory) of such healthy compromises as gubwein parties at Italian

prices - arguably the best of both worlds.

Much of the area was Austrian until the end of World War One and is still popular with German skiers. Most of the place names have German equivalents: Selva, for example, is also known as Wolkenstein, and the local language is Ladin.

The Dolomites cover a vast area, from Plan de Corones in the north to San Martino di Castrozza in the south, and from Bolzano in the west to Cortina in the east. Selva/Val Gardena is an early season venue for the "Ski Sunday" television cameras with its World Cup race from Ciampinai down to Santa Cristina before Christmas. The run was the location for the best World Cup performance by a British skier in the northern hemisphere: Konrad Bartelski was second here in 1981.

Since last winter, Selva has been upgrading its lifts: the Dancetop gondola has been modernised, the

Ferneda chair is now a quad and a new two-seater chairlift connects Santa Cristina with Monte Pana.

On an even grander scale, the entire Dolomiti Superski region, which covers 38 resorts, can be skied on one lift pass. The area has an extraordinary number of lifts - 464, serving more than 1,000 kilometres of prepared pistes. And this year the pass is even valid in the Austrian regions of Zill am See/Kaprun, the Gastein valley, Dachstein/Tauern, Schladming and Dachstein-West-Krippenstein. But be warned: refunds can only be given with a doctor's certificate, and even then only for injuries sustained while skiing!

■ **Facility:** Arnold Wilson's visit to the Dolomites was organised by Crystal Holidays, The Courtyard, Arlington Road, Surbiton, Surrey KT6 6BW (Tel: 081-399-5144).

Prices for January 3 or 10 in Cortina start at £289 for bed and breakfast.

Half board at Park Victoria (four star) £439. Scheduled flights, departing Saturdays, Heathrow-Venice. Prices at Chale Melodie, Selva from £289, fully catered, including afternoon tea, and wine with dinner. Flights depart Sunday from Gatwick or Manchester to Verona. All transfer times around 3 1/2 hours. Self-drive option will save up to £90 per person. Price of low season lift passes: Dolomiti Superski £95; Cortina only £93; Selva only £87. Special offer: £10 off lift pass prices in all Cortina accommodation and in Chale Melodie only in Selva.

■ **On Saturday November 7, the Financial Times will publish Pink Snow: A guide to the world's Top 100 skiing resorts, featuring Arnold Wilson's authoritative assessments, backed by the views and comments of Financial Times readers. This unique guide will also cover ski wear and equipment, top chalets, a ski brochure round-up, Stuart Marshall's Fast Road to the Alps, and more.**

Whipping up a desert storm

IF YOU HAVE had enough of Tyrolean thigh-slapping and yet another fondue, why not book a flight to Morocco? Seriously. The Moroccan High Atlas have several metres of snow each winter - while the Alps bite their fingernails and pray, the Moroccans are pulling out the snowplows. Even in the steaming Marrakesh summer, Toubkal, the 4,000 metre prince of the Atlas, remains brilliant white above the fig tree orchards.

The Atlas cry out to be skied but they do not make it easy: this is ski-mountaineering country. You do not come to Morocco to carve easy Giant Slalom turns on well-tended pistes; the Atlas make you earn your skiing.

To get limbered up for the great adventure there is a one chair-lift resort at Oukaimeden, 40 km from Marrakesh. Chic Casablanca folk ski here and surprisingly elegantly too. French skiers have come to Morocco for years, not for Oukaimeden, but for the virgin slopes beyond the pistes.

An alternative Haute Route has been pioneered through the High Atlas with the help of the local Berber people, who have become used to seeing their mules laden with skis. The mule is at the heart of Moroccan skiing, and the fleet-footed animals plod right up on to the snowfields.

"Snow is fine to look at," says one Berber shepherd, "but it's murder to skid on. I can't understand why you spend all this money on skiing - is it really that good?" The Berber has a point: your skis cost more than his house.

Twenty kilometres south of Oukaimeden and 1,000 metres higher, the mules hit the snowfields and the real slog begins. You have to haul yourself up the mountain. At first it is hellish. Skins are strapped to your skis, which give grip. Where the mountain pitches into ice walls you have to resort to rope and crampons. You reach the ridge swearing and sweating. It is all downhill from then on. Arabic coffee is brought out, the skins are packed away and the Moroccan guide points

down a 1,500 metre flank of virgin snow. Life begins to look up. You take a first turn, then another. You are skiing a fall-line nobody has skied before. Solitude and serenity hit you between the eyes: to the west is a tapestry of green fields and beyond, floating up in castle-like amber glory, is Imperial Marrakesh. To the south and east is the Sahara, golden, never ending.

After a day's mountaineering and skiing a Moroccan mountain but seems like the Savoy. The guide lights a juniper log fire, a lamb casserole is wolfed down and a Moorish blizzard whips up outside.

After five days of this cycle, morning climbs and afternoon skiing and nights around log fires learning Arabic stories, you drop down into forests of hemlock where black bear and lynx live. It is world-class tree skiing. And the best of it is that there is no rubbish strewn over the mountain, no dictatorial ski patrols, nothing but empty beauty.

You meet up with the mules again at the head of the Ouki gorge. It is souk day in the village of Asni. Berber children tug at your skis; their fathers invite you to eat with them. lambs. After dinner you sleep like a baby on a narrow pine cot.

The next day you take a Mercedes taxi back to Marrakesh. You can now play golf on the Royal Marrakesh course with out guilt, and ponder the few-erled skiing heaven of the Atlas.

■ **Facility:** Fly direct to Marrakesh on Royal Air Maroc, daily service (from London, Paris, Madrid). Accommodation in Marrakesh is at the luxurious Hotel de la Moudam. In the mountain villages stay with Berber families. Whilst skiing stay in the mountain huts of the Royal Moroccan Mountaineering Club. Cost of mule and guide for five days, about £100 a head. Further information: Ski Club of Great Britain (tel: 071-349-1033). Royal Morocco Tourist Office: 205 Regent Street, London, W1R 1DE (tel: 071-437-6070).

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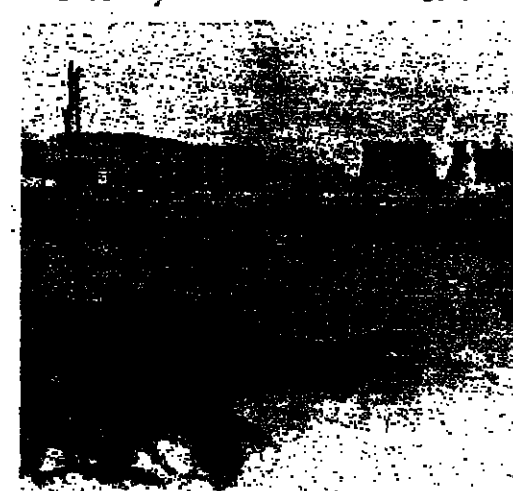
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ALDO FALLAI

BOOKS

WHEN C.P. Snow reviewed *The Oxford Book of Twentieth Century English Verse* on this page in 1973, he wrote: "In making his collection, so deliberately, so generously, Mr Larkin has shown magnanimity and courage, two of the greatest virtues." These are not the virtues likely to strike anyone who reads the extracts from this new book that appeared in advance of publication.

His fellow-poets are frequently described with a scurrilous, humiliating, table-banging, saloon-bar offensiveness that soon palls. These continual eruptions are the kind of thing many of us indulge in from time to time in private. They often involve crude nicknames and not very funny racist jokes about people in our circle. For example, of a woman poet who had just been given the Somerset Maugham award Larkin writes to a friend: "What do you think of getting four hundred nicker to go and get stuffed in

SELECTED LETTERS OF PHILIP LARKIN 1940-1985
edited by Anthony Thwaite
Faber & Faber, £20.75 191 pages

Wopland?" Remarks of this kind are intended, surely, to be both ephemeral and strictly private. It does seem extraordinary that, while many of the people to whom they refer are still living, they should all have been now made public. Numerically only about one third of the letters are of this kind. They are the ones to the group of intimate friends whom Larkin has known since school and undergraduate days at Oxford, with Robert Conquest joining it later. Unlike Larkin, many of these people went on to a spell of active service in the forces and after that to make their marks in the wider world outside of academic life.

The hairy chest that Larkin wears so inexorably when writing to them, with intermittent but frequent references to the pornographic magazines he has been reading, seems like a determined effort to remain on terms with them and to preserve the rebellious camaraderie of the original undergraduate brotherhood long after it had ceased to be a reality. He probably felt defensive about his own war as a forces reject, having been graded C3 on account of his stammer, an affliction that interestingly disappeared on the death of his father. It led in 1943 to Larkin taking up the "reserved occupation" (for someone in that category in wartime) of librarianship, a profession where he remained for the rest of his life. He became the University Librarian at Hull from where the majority of the letters are written.

Larkin was one of those old-fashioned people who are reluctant to pick up a telephone when a letter will do just as well. In consequence the editor of the volume, Anthony Thwaite, Larkin's executor, had an enormous haul to choose from and he has given many examples of Larkin writing not only to his old



Penned by a very private poet

Anthony Curtis discovers another side to Larkin

Oxford chums but to anyone who encroached upon his life briefly or permanently. There are some fascinating unmarked letters to the women friends he made after he left Oxford, especially to Monica Jones, a lecturer in English, to whom Larkin wrote what are some of the nearest items in the book to love letters. Their affair, like so many of Larkin's relationships, seemed positively to thrive on distance and separation. We learn that he used to go regularly on summer holidays with her. Letters to publishers form another group, and letters to the people who wrote to him out of the blue - aspiring poets and admirers - yet another.

As one ploughs through the whole - the volume is best read in small doses. Snow's view of Larkin's salient qualities begins to appear slightly less inappropriate to Larkin the correspondent. There is a dogged courage in his perpetual refusal to budge - both to budge in a geographical sense away from Hull, except for some extraordinary occasions, and his similar refusal to

budge in order to get on in the literary world, to be in the slightest bit pushy about his work. His career grew through ever wider recognition from critics and readers without any of those adventitious boosts that Jack-up lesser talents. His eventual South Bank Show accolade gave him a public presence that he had always affected to despise.

Several letters to his chief editor at Faber, Charles Montagu, show that though Larkin was unconsciously slow at delivering the manuscript of a new volume - a 10-year gap was his usual interval between books - he could be a tough negotiator when it came to the fine print in the contract. Larkin was indeed his father's son - Pop Larkin was a formidable administrator, Town Clerk of Coventry. When Philip Larkin was penning business letters in a professional capacity on publishing or library matters he was nobody's fool.

Larkin's magnanimity is well hidden behind the wall he puts up to guard his privacy and creativity, but some of it is certainly to be found in his tact-

ful, supportive handling of Barbara Fym after her novel had been turned down by Cape, her publisher for many years. Larkin admitted her novels and had written spontaneously to tell her so. Her side of this correspondence was given in her sister's book, *A Very Private Eye*. What is remarkable from Larkin's side is the manner in which, though he is full of kind words to alleviate her misery, he does not abate one jot the force of his penetrating criticism of her work.

Those who see the essential Larkin in the poem "Dockery and Son" - a meditation by a middle-aged bachelor returning to his old Oxford college - will be interested in Larkin's confession to Monica Jones in 1966: "I shall spend the rest of my life trying to get away from that poem". This whole volume prompts one to say that he never really succeeded, but the final answer to that central question will have to await the appearance of Andrew Motion's biography of Larkin. This book has set the scene for it fully, indeed in far too great an abundance of trivial everyday utterances.

McAlpine must be smiling at the handling by Downing Street of some current events, for obviously servants are not what they used to be. For the rest McAlpine outlines a number of principles that were successfully practised during the Thatcher era. For example, "if you propose to destroy a possible enemy, do so by promoting him." Again, "having encouraged a man to behave like a noble, a hint to his colleagues that it would not be against the Prince's will if he were destroyed will cause them to tear him apart." And, of course, the point about meetings is that "that needs to be done must have been dealt with before the meeting begins." The fascination of the book lies in the fitting real scenes to the theoretical advice. It is a very inside job: the servant wears gloves throughout.

Malcolm Rutherford

A very inside job

THE SERVANT
by Alistair McAlpine
Faber and Faber, £11.99, 98 pages

them there can be at the same time. McAlpine was the servant par excellence. Of independent means and well-connected, he never had to worry much about his own position. But even with assets like those, you cannot succeed by merit alone. You need a Prince, who must be perfect, and an idea which embodies the Prince's aims and ambitions for the people. The servant merely does the dirty work, much of it behind the scenes, while trying to keep his hands reasonably clean, at least in public.

Mrs Thatcher was the Prince. The idea was - well, this is not exactly explained. Presumably it was what Mrs Thatcher wanted for Britain. No specific policies, indeed no specific persons are mentioned. *The Servant* is simply a hand-

book of how to behave. Some of it is mildly amusing. Certainly it is much more elegant than (say) the memoirs of another servant, Bernard Ingham, who was Mrs Thatcher's press secretary. Where Ingham tells you in some detail how the news was managed, McAlpine merely observes that "timing is crucial and must be carefully studied... When something objectionable has to be done, the servant will want as little public reaction as possible... The servant needs to choose a day when there is plenty of other news... He may even find it convenient to create other news as a diversion."

Hardy to the life

THOMAS HARDY, HIS LIFE AND FRIENDS
by F. B. Pinion
Macmillan, £45.45 438 pages

There are several biographies of Hardy, including one designed by himself as he prepared for the immortality which he knew awaited him. F. B. Pinion, in *Thomas Hardy, His Life and Friends*, distances himself from the extravagant tradition. His book sticks closely to the known facts, which he sets down in chronological order, the important and the trivial, with a minimum of explanation or speculation. Pinion's main interest is to relate episodes in the novels (which he assumes the reader knows well) to real life incidents. He has a strong sense of place and provides detailed

maps of the localities that fed the novelist's imagination. His book is accurate and comprehensive, but the style is flat and occasionally awkward. The few explanations that he ventures (for example that Hardy and the first Mrs Hardy would have got on better if they had had children) are timid, conventional, and unrelated to a considered view of Hardy's developing character.

I particularly enjoyed the accounts of how Hardy's friends and editors tried to purge his stories of the very qualities which give them their power and their truth - the political correctness of the time. In one story Hardy was persuaded to change the time of his lovers' meetings from a Sunday to a Saturday. Leslie Stephen succeeded in removing an encounter from a churchyard, objecting to the use of the word "amorous." The *Spectator* damned one story for daring to suggest that "an unmarried lady owning an estate could have an illegitimate child." No wonder Hardy refused a knighthood.

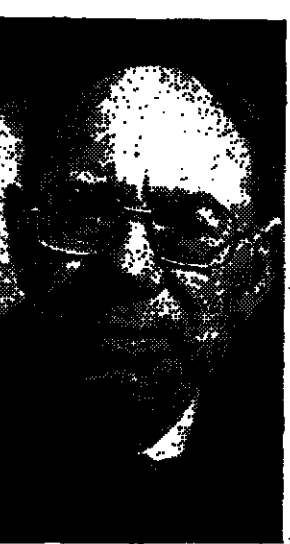
William St Clair

Fiction Ghost story turned parable

DAN JACOBSON'S new novel appears, at first glance, to be a simple fable, set in a re-invented European past, where the known order is reversed, and the Christians (or "Christians") in Jacobson's deliberate blurring of historical nomenclature are the minority in every middle-European village, their customs barely known and even less understood. Kobus is nearing death and, as age fingers him, (the description of the effects of age is one of the striking features of this most humane of books), he is visited by what appear to be gentle ghosts.

Two small children, appear in his house, quietly playing. Dressed in "Christians" garb, they continue to reappear, tormenting him with their quiet, inexorable presence, otherwise completely unthreatening. It is the realization of who these kindly Ones are which leads Kobus to a complete re-examination of his morally threadbare life and, at the end, to some gesture towards expiation, resolution and peace.

"Unspent possibilities, lives denied, stories never told, never taken, soul forever homeless, hopes foregone: existing only in the perpetual present of what never was and never would be." They are the legacy, the unborn children or grandchildren of a Christian girl whom once, in his youth, Kobus failed to help, as she was on trial for witchcraft. The story of Kobus' friend Malachi, who became a religious fanatic after a period of madness which was alleged by



Dan Jacobson

gossip and rumour to have been caused by Sannie the Christian girl, is another strand in this novel which, starting as fable, widens to become a stern moral appraisal of prejudice, weakness, political expediency. It has particular relevance for the disintegrating certainties of today's Europe. What starts as a mere ghost story is transformed by Jacobson into a multi-layered parable: the simple outline is given the weight of legend and the breadth conferred by modern psychoanalytical knowledge. At the same time, the reader is carried along by the power of the story-telling.

Jacobson is one writer who has always known that if you want to get the message across, you have to have a good tale to tell, and in this novel he has more than one good tale: narratives which, in their simplicity, grip and focus the attention.

By playing fast and loose with historical accuracy, Jacobson raises the endless, essential question, "What if it had been us and not them...?" and, by raising it, calls for tolerance, understanding, courage to speak up. There are also dream sequences which have a visionary quality of such power that one is reminded of Bunyan. And at the core of the book is the crucial point at which Kobus fails to give evidence to support the poor child accused of witchcraft. He has evaded the one moment when he could have made something of his life and he has to wait futilely until the child-furies catch up with him before realising it. Only then does he understand the relief that the kindly Ones can bring.

This novel is Jacobson at his most forthright and thought-provoking as well as at the height of his stylistic powers.

Mary Hope

THE GOD-FEARER
by Dan Jacobson
Bloomsbury, £13.99 159 pages

Obsessed with truth and falsity

A.C. Grayling reviews an unreasonable book

WESTERN civilisation is in crisis, says John Saul. We live in a Utopian ideal of rational society, first mooted by Enlightenment thinkers in the 18th century; but the result, contrary to Voltaire's hopes, has not liberated humanity but enslaved it to a bureaucratic corporatism which stifles, unconstrained by moral purpose, from one disaster to another.

Saul's thesis is that Enlightenment philosophers sought to rescue people from the arbitrariness of royal or priestly power and to replace it by the rule by reason. But their dream collapsed because of reason's own limitations. All that happened was an increase in influence of technical elites. The world, in short, became the fiefdom of managers. Owners of capital do not control politics; everything is run by managers who alone know how to manipulate the structural complexities of society. And the managers' goals - profits, election victories - are not shaped by morality.

This technocratic corporatism applies as much to the recently-collapsed Eastern bloc as it does to the West. Indeed the East-West distinction, like that between Left and Right, is not a real distinction at all, Saul argues, but a fiction of the managerial strategy by which the Age of Reason sustains itself.

Simply by listing the problems of contemporary civilisation anyone can make telling points. Saul does so eloquently enough. Politicians, he reminds us, get away with speaking literal nonsense because what counts is the manner, not the content, of their utterances. Governments brazenly continue despite their failures, because the concept of responsibility - no longer applicable to corporations, and almost everything objectionable in recent history.

heroes like soap-opera stars blind people to the world predicament.

These phenomena and many besides are symptoms of deep malaise. Worse still are such examples as the arms trade, encouraged by governments which make pious pronouncements about peace and freedom, but which subvert both by their participation in gun-running. And this is only part of a story in which military establishments flourish, drunk on obsessions with management and technology; and in which most parts of the world are perennially engulfed in war.

Although Saul's compen-

VOLTAIRE'S BASTARDS

by John Ralston Saul
Sinclair-Stevenson, £20.640 pages

dium of problems contains nothing new, his restatement of them serves to keep us alert. But he misdiagnoses the source of the problems, and has an unfortunate propensity to overstate them: with the result that his book quickly becomes tiresome and implausible - tiresome because of its monotony of complaint and disparagement, and implausible because it lays all the blame on one ill-defined abstraction, "reason".

At first Saul claims that reason cannot be defined, and then proceeds to define it. Reason, he says, is an obsession with truth and falsity. It is also an obsession with efficiency. It expresses itself in "control of structures" and as the technique of finding "simple and absolute" solutions to problems. It is essentially technocratic. Worst of all it is amoral and blind. This is illustrated by the fact that "the murder of six million Jews was a perfectly rational act." It has led to managers, corporations, and almost everything objectionable in recent history.

These claims are of a piece with much of Saul's discussion, which is too often superficial and general. His chief mistake is to blame an abstraction: his second is anyway to misunderstand its nature. Blame for the world problems rests not with a concept but with people. Reason is merely an instrument which, correctly employed, helps people draw inferences from given premises without inconsistency. Choosing sound premises is what matters, and it is solely a human responsibility. Blaming "reason" is as meaningless as blaming "memory" or "perception". It was the racism of Nazis, not the logic they applied to put their hatred into effect, which caused the Holocaust.

Can Saul mean that the use of reason is bad without qualification? I imagine him at a word-processor, answering the telephone, taking antibiotics for his sore throat, flipping switches to get warmth and light as cold night falls. Are all these products of reason contemptible?

The muddle in Saul's thinking appears when we examine his alternative. Early on he says the opponent of reason is "reasonableness", which "practical humanists" like Jefferson had. This is mere word-play, if not contradiction. But at the end of the book we get a list of virtues to put in reason's place. They are "spirit, appetite, faith, emotion, intuition, will, experience". One immediately notes that all but the last, if ungoverned by reason, are exactly the stuff which fuels fanaticism and holy wars. Here lies the poverty of Saul's account.

Indeed for all that Saul's book is long and amazingly eclectic, ranging from potted histories of Renaissance art to accounts of nights spent in the desert with guerillas (the relevance to the main theme is often opaque), it says very little.

Cinema all in the can

THE SECOND volume of Michael Powell's autobiography comes to us from beyond the grave. The British film-maker died in 1990 after dictating these 600 pages, or a draft thereof, to his wife the film editor Thelma Schoonmaker. (His eyesight had become too poor to write or type.) She then edited them into shape, which must have been as daunting a task as her work on *Raging Bull* or *GoodFellas*.

Yet the result is a wonder. All Powell's impishness and irony are preserved; all his flashes of absurdist wit at the expense of Korda or Selznick; and all his rosy-cheeked ebullience. For this was not only the galloway romantic who made *A Matter of Life and Death*, *The Red Shoes* and *Peeping Tom*, he was also the only film-maker I ever met who tried to make everyone else go into films. "Why aren't you making a movie?" he would cry whenever I met him, practically pushing a camera into my hand.

Million-Dollar Movie begins in the late 1940s, as Powell's own creative high noon was turning to late afternoon. Yet tales of filming such accident-prone works as *The Elusive Pimpernel* (famous sneezing sequence), *Gone to Earth* (Jennifer Jones with Shropshire accent) and *Ill Met by Moonlight* are unrelieved by an awareness of the corporate

madness that cinema can be as well as by a willingness to take the can himself when he thought he was responsible for a failure.

He was certainly responsible for one startling success: the now classic British horror film *Peeping Tom*. Powell is very funny on the scandalous press reaction at the time (1969, pre-*Psycho*).

The movie, he records, "was an insult to the film business, it out-cooked even Hitchcock. In fact it was all cock. What should be done with a film like

MILLION-DOLLAR MOVIE
by Michael Powell
Heinemann, £20.601 pages

this? It should be flushed down the water closet, with every responsible critic in London gleefully hanging on the chain."

It almost was. But even then Powell preserved his bonhomie. He carried on making films (*They're a Weird Mob*, *Age of Consent*) or planning them (*James Mason in The Tempest*). And he created this magnificent double-decker memoir, which tells us all about cinema from the sublime to the ridiculous and back again.

Nigel Andrews



Filmmaker Michael Powell



Filmmaker Michael Powell

Renko comes in from the cold

RENKO is back, Arkady Renko, the Russian detective from Gorky Park and Polar Star. He was in Siberia, fans will recall, after serving a spell in a psychiatric hospital as an enemy of the state. But times have changed, especially in Russia. Renko has been retrieved from Siberia and restored to his old job as a special investigator. He is back in Moscow again, back in Red Square, on the eve of last year's abortive political coup.

Not that Renko knows anything about politics, or any of that. He is far more interested in Moscow's black market: the illicit trade in Marlboros, porn videos, spare parts, you name it, that is conducted nightly at various unspecified locations along the city's ring road. In particular he is interested in finding the killer of Rudy Rosen, a market operator whose car blew to bits one

night, with Rosen still inside it. Who murdered Rosen, and why? One of the city's Mafia gangs no doubt, but which of the many? And how will Renko nail them, when not one of the hundreds of witnesses to the killing ever saw a thing?

RED SQUARE
by Martin Cruz Smith
Harvill, £14.99 431 pages

The trail begins in Moscow - a city seething with discontent, immediately prior to the coup - and leads from there to Munich and Berlin, where Renko is reunited with ex-girlfriend Irina, now a dissident newsreader on Radio Liberty. He visits a German sex club en route, and witnesses the death of an American contact, killed the same way as Rosen, before returning at length to Mother

Russia. There he catches up with his villains against a backdrop of tanks with flowers in their barrels and Boris Yeltsin defending Moscow's "White House" against all comers.

It's a splendid story, full of atmosphere, packed with the everyday details of Muscovite life that are Martin Cruz Smith's trademark. The details in fact are rather stronger than the plot as a whole, and the story has been cheerfully padded in places to make for a bigger book. But character has always been as important as plot to Cruz Smith, and he is in his element describing the arcane workings of the Soviet system. He has created a thoroughly believable detective in Renko, a character much more in the tradition of Tolstoy's Levin or Dostoevsky's Petrovich than, say, Holmes or Sam Spade.

Nicholas Best

ARTS

Sponsorship

The feel-good factor keeps cash flowing

Antony Thorncroft looks at how the arts are coping with recession

ARTS sponsorship was one of the great growth industries of the 1980s. At the start of that decade corporate funding of the arts in the UK was estimated at £6m. In 1991 the Association for Business Sponsorship of the Arts, in the first fully researched survey of the field, came up with an investment of £37m. Even with the recession tightening its grip, Colin Tweedy, director general of ABSA, expects arts sponsorship this year to be around 10 per cent higher.

But, in recent months, many arts organisations, which have come to rely on corporate support for a vital part of their income, are finding it much more difficult to persuade existing sponsors to increase, or extend, their support, and to attract new backers. This is the time of year when marketing budgets are fixed for 1993 and while there are few instances of sponsors withdrawing from their commitments (except when, like British & Commonwealth or Olympia & York, they go bust), there are even fewer examples of companies increasing their sponsorship spend.

An odd situation has developed. While the figures seem to show that sponsorship is still in good heart - there has been a 16 per cent increase this year in applications for the £4m cash in the Business Sponsorship Incentive Scheme, the Government pump priming money designed to stimulate new sponsorships - the development officers in arts companies are finding it very hard to tie down sponsors for next year. They are worried that the experience of BP may become

typical. BP was one of the biggest sponsor of the arts in the UK, with a budget last year of £1.2m. Now, beset by financial problems, it is cutting back. It feels that while it is sacking 10 per cent of its workforce it cannot be seen to be helping external arts companies. It is honouring its commitments - to the re-hangs at the Tate Gallery, to the annual portrait award at the National Portrait Gallery, to the Cardiff Singer of the Year competition, but when its sponsorships come to an end, like the BP Arts Journalism Award, and the BP Speak a Poem competition, it is not renewing, and it is taking on no new events. By next year BP's expenditure will be £750,000 and falling.

BP belongs to that group of companies - in oil, property, the banks, and insurance companies - who are suffering badly at the moment and who were also traditionally keen sponsors. Fortunately there are still small and medium sized companies experimenting with arts sponsorship for the first time and Colin Tweedy is bold enough to predict that even in 1993 sponsorship spending will rise slightly.

It may well be a different kind of sponsorship. Traditionally the arts could sell itself to business under one, or all, of four counts. Backing the arts offered excellent hospitality opportunities; it was good marketing, ideal for getting a corporate or brand image across; it displayed a sense of responsibility to the community and the nation; and it was also a charitable act, a good deed in a

naughty world. In the current economic climate companies are much more hard-headed. Some, notably Digital, IBM, and Lloyds Bank, set targets and evaluate the effect of their sponsorship money. Digital has perhaps made the greatest commitment to sponsorship as a marketing tool, preferring it to conventional advertising. It began in 1986 by focusing on dance. As a fairly new computer company in the UK it highlighted 8,000 potential buyers for its systems. In six years it has invited 6,000 of them to one of its sponsored dance evenings where it can put down social roots, to be built on later with business presentations. Geoff Shingles, chairman of Digital, says: "I reckon it has worked out at around £1,000 a contact".

Digital has added theatre and fine art to its sponsorship portfolio and, through its backing of tours by the European Community Youth Orchestra, has used the arts to pioneer business links in Eastern as well as Western Europe. It is now reviewing its links with the EGYO, in which it will have invested £2.5m over six years. Its belief that the arts offers an excellent marketing opportunity remains firm and it is looking for a new international sponsorship. Digital has doubled its market share in the UK in the last decade.

Obviously using the cultural and social cache of the arts for entertaining business contacts is a big attraction for sponsors. Glyndebourne, and the Royal Academy, which receive no subsidy, thrive through their success at selling themselves to companies as desirable meeting points. Glyndebourne



Opera North's production of Orpheus in the Underworld sponsored by English Estates

has raised £30m for its new theatre largely from business, and although the RA is finding that sponsors are less willing to offer the full guarantee against loss on its exhibitions which it has secured in the past, it is slowly finding backers for its 1993 shows. Typically Republic National Bank of New York, which is sponsoring next month's Sackler exhibition at the RA, is as much interested in its opening party as promoting a retrospective on the Camden Town School artist.

Companies are aware of the antagonism which follows if

directors are seen to be the main beneficiaries of arts sponsorship. Entertaining at an art exhibition, or at a concert where the staff enjoy discounts on tickets, is still acceptable but corporate membership schemes, which accounted for around £12m of the £37m spent on arts sponsorship last year, and are a more obvious directors' perk, are under review. Companies are cutting back. It can cost up to £20,000 to be a top rank friend at the Royal Opera House and this now seems an unjustifiable extravagance. Arts organisations are having to fight hard to maintain their revenue from this source. Some, like Sadler's Wells, have introduced new schemes, like the Business Circle, which, for £1,000, enables companies to participate in bi-monthly client hunting, business-to-business meetings in the theatre, plus booking

advantages. Corporate hospitality will remain central to arts sponsorship. Indeed, by adding entertainment costs on top of the direct aid to arts companies, corporate spending on the arts could easily be expanded by another £30m a year.

This is regarded as money well spent. At the other extreme, charitable donations to the arts, which could also boost the total bill by another £30m, are being scaled down. Ten years ago sponsorship might well have been included in the company's charity budget, along with health, education and other good causes.

Until recently Marks & Spencer viewed the arts this way, seeking no promotional advantage from its aid. Now sponsorship falls more within the orbit of marketing directors which accounts for attempts to justify its value.

The arts has little to fear from this tougher approach. Its generally upmarket audience has a greater appeal than sports sponsorship, which is increasingly seen as expensive, over exploited, and indiscriminate. The arts offers an audience of opinion formers, the rich, and, in its variety, the young.

In spite of the recession arts sponsorship is making headway in its most challenging area: helping to sell a brand, especially to the young. In the past advertising agencies have been reluctant to recommend arts sponsorship to their clients: it cuts into their commission. That is why many consumer goods makers are low spenders on the arts. This could be changing.

Beer companies, perhaps worried about eventual restrictions on advertising, have leaped in. Becks Bier has sponsored a succession of trendy art shows, such as Gilbert & George at the Tate. Holsten has become heavily involved with alternative comedy, and Rolling Rock with an Arts Council tour of contemporary music. Now Haagen-Daz, the ice cream maker, has taken the plunge with the Edinburgh Film Festival. And that epitome of youth culture, Doc Martens, has just announced backing for its local Midlands dance troupe.

Arts sponsorship to date has ridden the recession fairly well. Overseas companies, using the arts to integrate with British life, have helped, especially the Japanese: the Japan Festival raised around £12m from Japanese companies. Next month's Scandinavian Festival at the Barbican set itself a sponsorship target of £250,000 and raised well over £300,000, half of it from Scandinavian companies.

There is also a raft of prosperous companies, such as the newly privatised British Gas, British Telecom, (which with a £1.6m budget is now the biggest sponsor) and the power generators, which have become enthusiastic sponsors.

Certainly most of the main arts companies are keeping their heads above water. The English National Opera has found sponsors for all seven new productions in its 1992-93 season - although the cash commitment tends to be smaller than last year. The Royal National Theatre is doing fairly well in its new policy of finding backers for new productions (Oracle has just decided to sponsor the musical *Carousel*), and the RSC has got backing from Unilever (£50,000) for its new *Hamlet* as well as from Royal Mail and AT&T, which should prove useful if its major supporter, Royal Insurance, decides that its six-year, £2.1m, commitment is enough. Only Covent Garden seems out of favour at the moment.

Obviously the climate for sponsorship is tougher, especially in the south east. Contrastingly, the Edinburgh Festival this year increased its sponsorship to £770,000. Most sponsorships are still entered into with a vague feeling of doing good.

Usually one committed senior director argues the case and wins over his colleagues. These directors are having to call on all their persuasive powers. But, if they think realistically, companies will find that, used cleverly, arts sponsorship can, for very little money, be a flexible and effective way of promoting good will, a company, and its products or services.

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ARTS

Sponsorship

How to get the best from your patron

ONE OF the restraints on the growth of arts sponsorship has been the mutual suspicion between arts companies and potential sponsors.

Arts companies are worried about interference in creative programming. Would-be sponsors feel arts organisations are unbusinesslike. Experience suggests that sponsors have more justification for their fears than the sponsored.

Here are some guidelines which might help create better relationships:

Ten tips for sponsors
 ■ Take advantage of government money available to encourage arts sponsorship. There is \$1m a year in the Business Sponsorship Incentive Scheme to boost new sponsorships, as well as tax concessions for the arts in Gift Aid and Give As You Earn.

■ Set out targets for your sponsorship. If it is to generate goodwill, fine, but do not expect wonderful publicity. Sponsored events are ten a penny and no longer news. If it is to create opportunities for corporate hospitality make sure the arts organisation has adequate facilities. If it is for marketing purposes carry out some research after the event.
 ■ Most sponsors complain of poor media acknowledgement of their commitment. This can be improved if critics are personally alerted to sponsorship and its importance to arts organisation. The Royal National Theatre has adopted this approach with some success.

■ Ensure that your guests do not numerically overwhelm a sponsored event and that they behave. In a famous case

Ladbroke's actually attracted bad publicity when its guests returned late and noisy after the interval at a performance of *Hamlet*.

■ Make sure that your sponsorship actually helps an arts organisation with real money. Too much spending can be taken up with promotion, consultants fees, and entertainment. This looks bad. It is bad.

■ If you want to make a big splash as an arts sponsor the most effective way is to launch a new tailor-made event, a major competition, perhaps, or a regional touring programme. This can carry your name, or that of one of your brands.

Antony Thorncroft gives potential sponsors - and beneficiaries - a guide to do's and don'ts

Take advice from the specialist consultancies, notably Kallaway, Crowcroft Gourley, Spero Communications, Arts & Industry.

■ Involve your workforce. In the US one development is for companies to match the money given by their employees to arts organisations. Make sure the arts programme extends throughout the country and is not concentrated on, say, London and top management. Often the best results are achieved by supporting your local theatre, or orchestra, or gallery.

■ Have a structured programme. Don't fritter away a \$250,000 budget on too many small sponsorships, or devote it to one elitist event - unless you are convinced that that is what you want. Make a fixed commitment, ideally three years, and add on another year

to enable the arts company to find a new sponsor.

■ Take risks. Backing the experimental - in theatre, dance, contemporary music and art - tends to attract a more favourable media response, and often excites guests. It gives the impression that a company is go ahead and adventurous. It can also be very cheap. Film and photography are two areas currently under-exploited by sponsors.

■ Be enthusiastic. There is nothing worse than a sponsor going through the motions. It probably works best when the chairman, or an important director, supports his, or her,

are often intrigued at the idea and every £2,000 given by the neighbourhood greengrocer or restaurant is virtually certain to be doubled by a BSIS grant for a first-time sponsor.

■ Understand that, with the best will in the world, companies facing a drive in profits cannot be expected to continue their sponsorship indefinitely. Reckon a sponsorship to have a three-year duration, and plan accordingly, but be aware that, like Shell with the LSO, the link can extend over 20 years. Work with existing sponsors to find new sponsors.

■ Be grateful. BATs once invested around £200,000 in

help an arts organisation to prosper, with due credit to the suppliers.

■ The arts should examine approaches to sponsors which make a connection seem like a good investment rather than a case of unstructured patronage.

The Royal Academy does this by getting sponsors to guarantee its exhibitions against loss: a few have walked away without signing a cheque.

The regional and London suburban theatres are more and more the source of West End hits. Companies could come in as Angels on selected productions.

Sponsored recordings by orchestras could have greater potential, as could art shows which provide the backdrop with at least a corporate Christmas card and at most a commercially exploited print. Arts organisations should show business that it can speak its language.

The arts should co-operate more in seeking sponsors rather than establish competitive positions, which often amounts to little more than poaching each others' backers. Good links should be formed with ABSA and the Sponsorship department in the Arts Council.

The Government should be lobbied, with the arts pointing out that sponsorship long ago stopped being the icing on the cake but is now a basic ingredient.

One of the great dangers today is that if the Government reduces its arts subsidy sponsors, rather than making good any shortfall, will feel that their commitment over recent years has been taken for granted, and cut back their aid in proportion.

Arts organisations have accepted sponsorship with amazing alacrity. Many theatre and museum directors spend too much time courting existing and potential sponsors. But the collective voice of arts organisations on sponsorship has been weak. ABSA is the sponsors' organisation. The recipients should join forces to make their views better known.



Alan Howard in "Pygmalion", sponsored by Digital Equipment Company

Having their cake and spending it

For London's orchestras sponsorship is more than just the icing, writes Simon Tait

IT IS a fallacy that sponsorship is the icing on an orchestra's cake. Without it, there is no cake, as the London Philharmonic is finding.

The LPO took up its residency at the South Bank in London last month, with its Arts Council subsidy more than doubled. "But we would lose money on Festival Hall concerts without sponsorship," said John Willan, the orchestra's managing director. "The sums just don't stack up. It

costs £50,000 to £70,000 for a concert with top-line performers and five rehearsals, and for a full house we can only expect as much as £30,000 from the box office."

The orchestras, for which ten years ago sponsorship was not even icing, merely a bonus, are having to spend more and more of their administrative time wooing sponsors. Without them, they know that the standards they have built up will collapse.

But there are risks in

wooing big sponsors. "If you have a main sponsor and he changes his mind for one reason or another, you're suddenly left with a huge hole that may be impossible to fill," Willan said. "It's far better to have a basket of smaller ones."

His orchestra has been lucky with loyal supporters. Pioneer, makers of hi-fi equipment, has sponsored the LPO's Musician of the Year since 1979. The newest sponsor is Audi, the German motor manufacturer, which provides Willan with a £20,000 car, supports the LPO's youth orchestra and makes up much of the concert shortfall. The sponsorship enables the orchestra to keep seat prices in an affordable range of £4 to £28.

Other sponsors include Marks and Spencer, National Westminster Bank, GKN, the car components and engineering group, Commodore Business Machines, Chelmsfield, the property group, and a number of individuals including the LPO Trust's chairman, Elliott Bernier.

Although Willan can count on about £900,000 from sponsors this year, a quarter of the running costs, but the search for new ones to support the LPO's residency and ambitions is proving unrelenting. "We believe the cachet of residency

puts us in a good position to get sponsors, but we haven't had much success to this point. We're working hard on the 1993-94 season."

Elsewhere, the London Symphony Orchestra's residency at the Barbican Centre in London is ten years old and its managing director, Clive Gillinson, has turned the cultivation of sponsorship into a craft.

He won this year's Garrett Award from the Association for Business Sponsorship of the Arts for his enterprising and imaginative schemes. The award carried a cash prize for the first time: £10,000 from Reed International to spend on the project of his choice. He spent it on a bassoon chair for the LSO because, he said, the bassoon was the only reed instrument in the orchestra without one.

Gillinson probably won the award for his work in finding sponsorship for the Pacific Music Festival in Japan two

years ago with Leonard Bernstein and the LPO's principal conductor, Michael Tilson Thomas. He pulled together a \$15m (£8.7m) package, and the festival has been established as an annual event.

But that was in the pre-recession days. "It is very difficult to persuade new sponsors in now," said Gillinson, who believes the £840,000 concert sponsorship he got this year will be reduced to, at best, £600,000 next year. "Some have had to withdraw because of the recession - ICI is one who has been very good to us in the past, and want to come back as soon as they are able to make that decision. But we have been lucky with our long-term sponsors."

Peter Stravinsky, for example, has been with the LSO for 30 years and Shell has just signed on for another four-year cycle of scholarships. This is a nationwide tangle of talented young players which

focuses each year on a different area: woodwind, strings, brass and timpani/percussion.

Sponsorship for the LSO is divided into three types: concerts, touring and education. Concert sponsorship will be down next season but touring support will be doubled, to £700,000, thanks to patrons from abroad.

"It is interesting that the last thing sponsors want to withdraw from is education projects, showing that sponsors' sense of community responsibility is stronger than their enjoyment of the big occasion," Gillinson said.

"All public subsidy now is predicated on the understanding that you are going to raise a certain amount from sponsorship. We decided that we would not compromise ourselves artistically in going for sponsors, and to our delight sponsors have responded, so it turned out to be the right commercial decision, too."

Fringe is a handy term, but can be misleading. It applies to over half of this country's theatre companies. By comparison with the 'mainstream', their output is higher and their venues are spread more widely across the land.

The best of the 'fringe' groups are dismantling the barriers between drama, dance, music and visual art, and building fresh techniques on the traditions of South Asia and the Caribbean. They have invented a new language of performance, and won kudos for British theatre in continental Europe and beyond. It's time to recognise that these prolific companies are at the cutting edge, not on the margin. Some 'fringe'.

Jim Hiley
 Writer and broadcaster

Barclays New Stages is a unique playmaker sponsorship programme devised by Barclays Bank to encourage and promote 'fringe' theatre. The scheme is open to the full spectrum of Britain's independent theatre, including dance and community work.

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Barclays New Stages also supports an annual festival at the Royal Court Theatre.

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BARCLAYS
 new stages

SPONSORSHIP OPPORTUNITIES AT THE ROYAL ACADEMY OF ARTS

The Royal Academy of Arts is an independent institution relying on corporate sponsorship to mount its programme of internationally acclaimed exhibitions and is unique in offering sponsors the choice of underwriting the exhibitions, which gives them the potential of a refund of their sponsorship fee, or of providing a grant. One of the many opportunities available in the period 1993 through to 1996 is The Great Age of British Watercolour 1750-1850 15 January to 11 April 1993. This major exhibition is a celebration of watercolour painting in Britain in the 18th and 19th centuries. It will bring together masterpieces by Gainsborough, Constable and Turner as well as many other well known painters of the period.

Entertainment opportunities at the Royal Academy are exceptional and suited to large receptions or intimate dinners. Burlington House is an historic 18th century building with the beautiful Private Rooms in the Palladian style and spacious galleries, while the newly built Sackler Galleries are a splendid example of modern architecture designed by Sir Norman Foster SA.

The Royal Academy also offers a very advantageous Corporate Membership Scheme, giving companies access to its exceptional resources, and this has proved to be one of the most popular of its kind with more than 175 members. Members receive priority booking and discounts on the entertainment facilities. Other privileges include private views, complimentary tickets and invitations for clients. Companies can also borrow works of art for their premises with no hire fee attached.

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ARTS



"Toxic Lagoon" by Tim Head, part of an exhibition at the Whitechapel Gallery, east London, opening in December. Sponsored by Reckitt

Sponsorship

Finding the right profile

Companies must target the right market, says Simon Tait

FOR English Estates, going into arts sponsorship a decade ago was a simple business decision. Tony Pender, chief executive, had been impressed by the community projects of some local managers, and saw considerable scope.

"Our creed is to develop the valuable hearts of communities by industrial and commercial development where private developers will not venture," said Ron Parsons, English Estates' sponsorship manager. "But we believe that it isn't just by property development that you improve standards of living. Improving quality of life is just as important."

English Estates, based in Gateshead, in northern England, was founded in 1986 as the government's response to persistent unemployment in the north east. Over the years it has spread its interests to the rest of the UK as industrial changes have struck different communities.

"That has also been the pattern of its full-scale arts sponsorship. It began with support for Northern Sinfonia, the rapidly growing orchestra of the north east, and then the Royal Shakespeare Company's New-

castle season of five to six weeks.

Five years ago it ventured out of the region to support the South Bank Centre's touring of the Arts Council paintings collection. "Introducing With Pleasure", in which a series of celebrities - from footballer Pat Nevin to opera star Dame Janet Baker - picked their favourite pictures. The exhibition toured to Plymouth, Leeds, Bristol, Liverpool and Manchester.

The idea was to take art into the communities where the company had capital projects, adding an extra dimension and putting into practice the theory of cultural regeneration. In urban areas it calls the programme "creative partnerships", and it has won two of the Association for Business Sponsorship of the Arts (ABSA) awards so far.

"English Estates has forged a path for sponsors in the north east to follow," said Chris Puleine of ABSA North. "There's a strong element of the arts in its overall programme, and they have made an enormous difference in the region as a whole."

It was Tony Pender who founded the Sponsors' Club in

the north east, a group of nine businesses to date which is already committed to arts sponsorship but which also puts money into a kitty to match the funding of first-time arts sponsors.

Outside the region, the English Estates patronage has been varied. There has been the partnership with the Arts Council for the Young Conductors scheme, by which talented young musicians get a year's bursary to conduct with a leading orchestra.

In the former naval dockyard at Chatham the company has built a housing estate. "The local people never believed we could bring big companies there, so we've done it for them," said Parsons. "We had the LSO brass ensemble in July, and the RSC is going, too."

The latest venture is English Classics, a £100,000 programme in which four regional repertory theatres get to present a big production. The first has just finished at the West Yorkshire Playhouse where J B Priestley's *When We Were Married* was on for five weeks. Marlowe's *Dr Faustus* opens at the Nottingham Playhouse on November 5 for three weeks,

followed by Ben Travers's *Plunder* at Liverpool Playhouse in February and Oscar Wilde's *An Ideal Husband* at Plymouth Theatre Royal in March.

"We realised the companies were falling between two stools," said Parsons. "They couldn't get the kind of support that national companies could attract, and the production costs were too great for local sponsors."

While the arts-saturated south east has been worst hit by the recession, the north east has so far been relatively unscathed after a bad battering eight years ago. So while English Estates is responding to the government's suggestion of selling some of its property portfolio to raise development capital, it is able to maintain its sponsorship, which has risen from £100,000 five years ago to almost £250,000, a plateau for the present.

"We need to be seen as an active part of the community in the north east, and there is a great feeling for the artist in the region which has helped us establish sponsorship as a normal activity," Parsons said. "But we also need to do it in other parts of the UK now, and keep our profile up in London."

Musica: where modern music still has a pulse

UNTIL recently the European map was spattered with festivals of modern music: now they are becoming harder to find.

London's distinguished Almeida Festival has all but disappeared, Royan and La Rochelle have gone, Metz has shrunk to a weekend, and the Venice Biennale is troubled. But Strasbourg's "International festival of the musics of today", Musica, continues to shine as an example of enlightened underwriting and energetic open-minded programming. With a budget of more than four times (c. £800,000) that of its nearest British equivalent, the Huddersfield Festival, Musica can afford to run for 16 days, fill them with some 60 events, take heady risks and make bold gestures. Its money comes from copious sponsorship and hefty local and national subsidies.

Musica was founded on a central government directive in 1983. Maurice Fleuret, himself an ex-festival director (Jill), being the instrumental bureaucrat. This year's festival, directed by Jean-Dominique Marco with the assistance of Marc Dondey, was the triumphant tenth, opening with a heady risk - a choral-orchestral concert devoted to the music of that Italian maverick Giacomo Scelsi - and ending with what would have been the boldest of gestures, the first French performance of Tippett's evening-long "oratorio" *The Mask of Time*, had there not been a decisive problem with the Polish choir involved.

The French premiere of the same composer's third symphony (1972) took place instead - still a pretty bold undertaking - but as played by the Orchestre Philharmonique de

la Radio Télévision Belge Néerlandophone under Nicholas Cleobury, with soprano soloist Penelope Wainwright-Clark, it proved a success.

Tippett's and other modern British music formed an important strand of this festival (the British Council weighed in with support). I arrived at Musica too late for the *hommages* to Scelsi and John Cage and for the featured music of Xenakis, Klaus Huber.

Paul Driver visits one of Europe's few thriving new music festivals

and Georges Aperghis, but much of the British music was concentrated into the final four days. One concert, given by the Orchestre Symphonique de Mulhouse, under Luca Pfaff, afforded the interest of hearing French performers in testing works by Tippett. His string orchestral *Fantasia Concertante on a Theme of Corelli* (1963), receiving its French premiere, found the players attentive and enthusiastic but far from easy with its florid yet finicky idiom.

The rumbustiously colourful *Songs for Doo* (1970) fared much better, perhaps because their urban discontents travel more easily than does the *Fantasia's* English mysticism, but certainly because of tenor soloist Nigel Robson's brilliant expertise.

Works in the second half by young Finnish and Swiss-born composers, respectively Kaija Saariaho and Michael Jarrell, made curious contrast with Tippett. Saariaho's 12-minute *Verblendungen* (1984) for 35

musicians and tape was a typically refined and ungratifying texture-piece. Jarrell's 20-minute *Der Schatten, das Band, das was an die Erde bindet* (1989) impressed as a tautly managed pure drama of timbres, mostly brooding and dark.

A decidedly ingratiating Saariaho piece, *Monkey Fingers, Velvet Hand*, was one of the 16 short piano paraphrases of Beatles songs that Aki Takahashi presented in her captivating late-night cabaret-like recital. "Hyper Beatles", the others included Alvin Curran's pointillistic *When I'm Sixty-Four*, Walter Zimmerman's *When I'm Eighty-Four* (the pianist had to count aloud to 84 in Japanese), and Kevin Volans's supple rhythmic *Happiness is a Warm Gun*.

From a concert at FR3 Auditorium by the fine Ensemble Ars Nova under Philippe Nahon one got some idea of contemporary French and German composition. The work of neither Helmut Goebels (born 1932) nor Pascal Dusapin (born 1965) is much known in this country. The first writes in a kind of enhanced jazz/rock idiom, with electronic sampling and instrumental high jinks (we heard *La Jalouse* and *Red Sun*). The second is more determinedly serious, more abstract and dissonant - neo-modernist. His new turbulent clarinet concerto, *Aria*,

had its first French airing, with Armand Angster a loudly plangent soloist, and the 13-piece ensemble busily maintaining a thick tutti accompaniment regulated by timpani strokes.

At the Centre Culturel Le Maillois a matching pair of Maxwell Davies's mad scenes was given. In the hands of director Pierre-Jean Valentin, *Les caprices de Miss Donatienne* - it was sung, or rather speech-sung, in English (by the excellent Clara O'Brien) - became a fully-staged operatic monodrama, set in an authentically mouldering mansion chamber, and whose Miss Havisham-like protagonist in taffeta and smudged lipstick toys naughtily with a cucumber and finally pours wine in a stream upon the wedding tablecloth.

Huit Chants pour un Roi fou was allowed to remain the music-theatre piece it is, with the instrumentalists (of L'Ensemble Fa) sitting in birdcages (and bird-costumes) on the platform, the conductor (Dominique My) in front of them, and baritone Richard Stuart, as mad George III, cavorting around them and realising the complex vocal part with extraordinary skill and power. He was not, though, allowed at the climax to snatch the violinist's instrument and snap it, as crucially required by the score. Are French audiences squeamish about such things?

English Classics

English Estates support of arts organisations large and small is a natural extension of its role in promoting regeneration. This year it has created English Classics - Four regional repertory companies presenting flagship productions. The West Yorkshire Playhouse at Leeds has already presented 'When we are Married' by J.B. Priestley. The others are:

'DR FAUSTUS' by Christopher Marlowe
The Nottingham Playhouse
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Book on (0602) 419419

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In the community

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19 Oct - 14 Nov	Miro - Ubu Roi Prints, Art Centre, Yeovil	21 Nov - 10 Dec	Miro - Ubu Roi Prints, Weymouth Library, Weymouth
20 Oct - 12 Nov	Jan Hamilton Pinlay - Epiphany and Other Stories, Thomas Sumpter School, Scarborough	21 Nov - 31 Dec	Paula Rego: Nursery Rhymes, District Museum, Dursley, Gloucestershire
26 Oct - 20 Nov	Photographs from The Glimon Collection, Glimon: The Art that Transformed Art, Solihull School, Solihull	21 Nov - 10 Jan	Innocence and Experience, Farnes Art Gallery, Hull
26 Oct - 21 Nov	Melrose: Illustrations to Rostand, Guildhall Centre Gallery, Grantham	24 Nov - 23 Dec	Jan Hamilton Pinlay - Epiphany and Other Stories, Art Centre, Stamford
26 Oct - 20 Nov	La Corbusier: Poème de l'Angle Droit, Preme Arts Centre, Uxley	26 Nov - 17 Jan	Flora Photographic: Masterpieces of Flower Photography, Manchester City Art Gallery, Manchester
31 Oct - 3 Jan	The Non-Objective World, Abbot Hall, Kendal	26 Nov - 18 Dec	Photographs from The Glimon Collection, Glimon: A Leap in the Light, The Glynn Weddell Gallery, Bristol University, Bristol
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3 Nov - 28 Nov	The Way We Live Now: Howard Hodgkin/Steven Samuels, Chertsey Museum, Chertsey	5 Dec - 3 Jan	Pop Art Prints from the Arts Council Collection, Wakefield Art Gallery, Wakefield
6 Nov - 28 Dec	Peter Lanyon - Constructions into Painting, Camden Arts Centre, London	7 Dec - 23 Dec	Alexander Rodchenko: Photographs, The Unit of Brighton Gallery, Brighton
7 Nov - 28 Nov	Phonograph - late etchings, Museum and Art Gallery, Blackburn	12 Dec - 17 Jan	Picasso - late etchings, Christchurch Mansion, Ipswich
16 Nov - 13 Dec	Forward Lager's Cross, Chapman Gallery, Solihull		

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24 Nov - 28 Nov	A Christmas Carol, Marlboro Theatre, Canterbury
1 Dec - 5 Dec	A Christmas Carol, Lyceum Theatre, Sheffield
8 Dec - 12 Dec	Susan Lake, Empire Theatre, Liverpool
15 Dec - 27 Dec	A Christmas Carol, Grand Theatre, Blackpool
26 Jan - 30 Jan	A Christmas Carol, Civic Theatre, Haver
27 Feb - 6 Mar	A Simple Man and two new works by Graham Lough and Derek Williams, Grand Theatre, Lough

ARTS

IS THE idea of childhood in art - as in literature - essentially a modern invention brought about by the rise of the bourgeois family?

It was the French historian Philippe Ariès who first suggested this idea 30 years ago, in the English edition of *Centuries of Childhood*. His brilliant and profoundly influential - albeit flawed - thesis sought to answer two fundamental questions: were children treated differently in the past? Did the concept of childhood exist in premodern Europe and if not, when did it emerge?

Immocence and Experience at the City Art Gallery in Manchester, is a fine descendant of Ariès's project. An exhibition of paintings of children by British artists from 1600 to the present day, it shows the great variation during those centuries of artists' approach to children.

At one end of the period is a portrait of an anonymous artist, dated 1511, of a little boy dressed in petticoats and holding a teething-rattle. For all that, with his impassive stare and stiffly formal pose, the child is every inch the heir to the mighty Norfolk family. Contrast that with one of the most recent works, a charcoal sketch made in 1983 by Dennis Creffield. Here is the disturbing image of a newborn baby, son, wailing and ugly except (are we right to assume?) in the eyes of his loving father.

The hang of the exhibition is not chronological. Paul Van Somers (as the Elizabethan artist has been identified) appears in the same section as Creffield, and as Augustus John's portrait of his son Robin, Peter Blake's painting of himself and his sister reading comics, and paintings by Sonia Boyce and Eileen Cooper. In just this section, titled "A Sense of Identity", our attention is drawn to such concerns, whether acknowledged or not by the artist, as racism, exile, childhood nostalgia, adolescent sexuality, paternal tyranny and maternal fear of her son's sexuality.

All very interesting but for my taste, in the context of an exhibition, this is all far too much. What we see in the gallery is a large group of some 60 paintings and a few sculptures. Of very mixed quality, they are in many cases both interesting and unfamiliar. The exhibition has been mounted with the eternally praiseworthy intention of being popular and accessible, children being a theme to pull in the punters much as an exhibition of horses or cats might do.

But then, because *Immocence and Experience* is a serious show put on by researchers committed to art in the service of social history (Joan Crossley created the interesting if flawed exhibition, *Images of the Army* a few years ago at the Whitworth), it swerves violently towards the kind of stodgy didacticism which surely risks putting up a barrier between the public and the paintings.

The images are being made to work too hard to serve as documents. In a book, it works fine (the well-produced catalogue makes a stimulating



More experienced: 'Adolescence', 1932, by Gerald Brockhurst in the Manchester exhibition

Age of innocence

Is the concept of childhood a modern invention?
Patricia Morison looks at the artists' approach

read); whereas confronted with the actual paintings, the voice of the social historian becomes tiresomely strident. There is too much loaded onto these walls, all manner of social and psychological insights seething beneath the surface to emerge as oddly random snippets of accompanying text.

Predictably, the show includes the darker side of images of children art, namely their sexual appeal. That said, courage runs out some way short of investigating child pornography. In the concluding section entitled "The End of Innocence", we are directed towards male artists' voyeuristic representations of the adolescent girl by Gerald Brockhurst's remarkable image of his lover Dorsette. Although he called it *Adolescence*, he was actually representing a woman in her twenties but the point is valid enough if we think of Balthus.

The eternal appeal of the ephemerality of a dreadful drawing, "Love Among the Schoolboys" (once possibly

owned by Oscar Wilde) by the scandalous Edwardian artist Simon Solomon, and "Berry-boy" by the no less scandalous Gilbert and George. To be sure, ever since antiquity images of young boys have been used to convey an overt sexual message. But what extraordinary mental gymnastics are required of the visitor to see why such images belong in the same section as Alan Ramsay's little sketch of his dead son and Millais's famous "Autumn Leaves".

In the end, this exhibition is too ambitious for its own good, too knowing. It might have been better to stick to a chronological hang and follow through Ariès's perceptions, taking issue with the master where he needs correction. It would have been nice to have started in the middle ages because of the opportunity to correct Ariès who, in flagrant disregard of the evidence, stated that there were no artistic representations of children because *le sentiment de l'enfance* did not exist.

Apart from that omission, there are the paintings here which could have given the exhibition a clearer structure. Family portraits by Zoffany, Hogarth and Joseph Wright of Derby make abundantly clear the influence of Romantic ideas on children's dress and demeanour.

So does this exhibition support Ariès's view that childhood is a modern idea? Unfortunately it is too confused and too overstuffed. It is an intelligent and commendable venture which needed to be physicalised, given a purge. With the courage of greater simplicity, it would have led to greater wisdom and pleasure.

Immocence and Experience will be toured by the South Bank Centre; the sponsor is BT. Perens Art Gallery, Hull, November 21-January 10 1993; Castle Museum Nottingham, January 18-February 28; Kelvingrove Art Gallery, Glasgow, March 6-April 25

A 'Liar' that's lasted

BILLY LIAR opened in 1960 at the Cambridge Theatre with Albert Finney in the lead, succeeded by Tom Courtenay, Lindsay Anderson directed. Now, a National Theatre production is touring the UK. When it reaches London (Cottesloe Theatre, December 15) it will be the first London revival since that original. This sad comedy by Keith Waterhouse and Willis Hall has spawned a film, musical, TV series and an American sitcom. The hero, Billy Fisher, would now be in his 50s. Why has a tall tale about a liar lasted so long?

At Manchester's Contact Theatre, Billy Liar is part-comedy and part social history, class envy and emulation in the 1950s north. This fable of England is set in a riot of 1950s design colour and the wasteland of 1950s monochrome attitudes. The tone of this production, like Billy's mind, is undecided; it looks patchy.

Billy Fisher, 18, grammar-school educated and poised between working and middle class, is, as his fiancée says "a miserable, lying, rotten, stinking git". He lies to aggrandise himself, and weaves deception only to be ensnared. He lives with rough, decent parents, and courts women en masse. Eventually his tall stories, his plying from work, and his two fiancées - Barbara and Rita - catch up with him.

Billy's way out is south for London, encouraged by Liz, the one who intuitively understands his pathology. But his failure to leave the damaging environment is a painful moment. Opportunities are rare, and Billy has wit enough to know a missed one.

The production serves the play well enough. The 1950s design (Bunny Christie) is a cacophony of patterns and styles of the kind on sale in New York's SoHo chic antique dealers; Billy's grandmother (Elizabeth Bradley) shows taste in addressing the furniture rather than the family. The parents (June Watson, James Grant) keep bawling distance from Billy, conveying but rarely feeling their limitations.

As Billy, Paul Wyatt jokes too much to appear wise, and underplays the adolescent, arrested development which makes Billy's longings part of everyone's past. The 1960 version of the play would find Billy in care, or working in Virtual Reality. The 1960 version offers the excruciating sight of someone being untrue to himself: *lilies that fester smell far worse than weeds*.

Tim Supple's direction clings the action in the cluttered travelling set, but draws good performances from Billy's fiancées and in particular from Sally Rogers as Liz: one actually believes in her hope and ability to save Billy from himself.

Back in 1959, with unemployment around 2 per cent, a new MI1 undercover, intelligence and hovercraft, the world had looked bright for Billy. But in the broader picture, Billy pales alongside his real-life North American contemporaries Jack Kerouac and Neal Cassady; to read *On The Road* (1957) is still to anticipate the 1990s, whereas to see Billy Liar is to look back towards Victorian England. This comedy is a serious play about England. Unfortunately it still feels current.

Andrew St George

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Dances of death

Jackie Wullschlager surveys new theatre in Paris

THE NEW Paris theatre season has had an early, surprise star in *Mortadela*, which suggests a slice of character but is about death, desire, fleshiness. It is the most irresistibly sexy show in town, a home-spun musical of one man's memories whose character and warmth not only thrill the soul but throw into relief the refined heartlessness of Paris national theatre. *Mortadela*, at La Cigale in Montmartre, and another powerful music drama, *Zorzeuza*, nearby at the Bouffes du Nord, suggests that the pulse of Paris theatre is beating not in the premiere *arrondissement* but in the raffish outer districts.

At La Cigale, an old café chanteur or musical, Alfredo Ariès' review of his Argentinian youth celebrates the tango in its heyday and is a bittersweet evocation of the women from his past. Some dance their way into his memory by erotic display, like Cecilia Rosetto in "Banana" who seduces astonished men in the audience with peeled bananas plucked from her thighs or head-dress; the male ensembles respond with drug-pastiche in bikini and tropical fruit. Others move to the rhythm of sexual domination and submission; one woman beats a rope on the floor as she dances to the pace of a low-toned conga drum while another just out of reach writhes in coils of fear and invitation.

Whirlwind tangos, jaunty cha-cha, offset sadder boleros and chansons while an accordion wails notes of sorrow and displacement. Never far off is the dance of death: *trompe l'oeil* exchange of a doll for a scabrous dwarf actress Pilar Belchior, apparently dashed to the ground in a family row, a butcher, murdering his unfaithful wife with a meat knife, elaborates the macabre title.

Most of Ariès' numbers, as well as his performers, come from the music halls of Buenos Aires and they sing and dance with a passion and romance of exiles recreating a lost world: throaty, tender, lustful, desperate. The show's life-as-a-cabaret mood is raw yet slick - in songs, satiric monologues, legwork, the pattern of pumps and stilettoes on the ground. Few musicals exhilarate with the kitsch glitz of purple roses and torso-hugging velvet while wearing a vulnerable heart so openly on their sleeves.

The French term for play or performance, *spectacle*, hints at the spirit not only of French music hall and its Montmartre traditions but also of straight French drama, which is far more likely to include song and dance routines than its English or German counter-

parts. *Caligula*, which opened at the Comédie Française earlier this year, is a brilliant example of dance illuminating themes in a complex work through sensual power and provocative display. But too often a play degenerates into a mindless spectacle of formal kicks and tuneless squeaks, which is the catastrophe of the Comédie Française's newest production, Lermontov's *Bal Masqué*.

Like *Mortadela*, this is a dance of death, but the contrast could not be greater. Lermontov's tale of revenge via Russian aristocratic traditions - gambling, masked balls, wife-poisoning, duels (Lermontov, aged 27, was killed in one) - is enacted by puppet figures in black and white, masked, some encased in porcelain heads like 19th century dolls.



Comédie Française at its most degenerate: Lermontov's 'Bal Masqué'

who progress by candlelight to their doom. Solemn music recalls a funeral march; passionless dialogue is spat out in the kind of sharp glacial French, only heard on this stage, which could cut crystal. Director Anatoli Vassiliev has achieved a sculptural beauty which awes for perhaps 10 minutes; he leaves his ghostly tableau on stage for three-and-a-half slow motion hours. There is no interval.

Here is the Comédie Française at its most degenerate. For decades it has lived on inflated reputation and mystique bolstered by the French press. The classical virtues it cultivated have been pushed to such extremes that they have turned decadent. Productions are lumbering, absolutely unemotional. Actors move with an authoritarian chic which is stuffy and posey, and speak in a cut glass monotone which renders all reactions the

same. In particular productions by Vassiliev, the Comédie Française's celebrated director Antoine Vitez, and actor-director Jean-Luc Boutté, who here plays the vengeful hero Arbenine as a deadly robot, are marked by a cold intelligence which assures unity of tone, set, costumes but inoculates against force, tenderness, passion. Unless original shows of the calibre of Chahine's *Caligula* - disliked by critics, but playing to packed houses - continue to join the repertory, the Comédie Française risks decline into self-parody.

Across the river, Paris's second serious national theatre, the Théâtre L'Europe, could attract the brightest and best of European directors but has wasted the last year in an almost exclusive "cycle hispanique" of obscure plays in

Spanish and Catalan made intelligible to French audiences by surtitles. Its home productions have been mixed - most successful was Patrice Chéreau doing Botho Strauss; most dismal Peter Zadek's *Measure for Measure* spoken by a cast which barely seems to understand its lines. And for all the Spanish enthusiasm, the most exciting French/Spanish work now touring Europe is Alain Maratrat's feisty, moving spectacle *Zorzeuza*, which I reviewed at its Vienna premiere, and which has come to Peter Brook's cavernous Bouffes du Nord theatre.

Highlights to come in the Autumn Arts Festival emphasise the growing importance and daring of the suburban theatres which form a classy outer ring round Paris, and it is here, and in venues like the unfashionable Cigale that the future of Paris theatre looks most promising.

A Pre-Raphaelite abroad

AMONG casualties in the great shift against Victorian taste early this century, Burne-Jones was a spectacular artistic victim. "Love and the Pilgrim", now in the Tate Gallery, sold for £5,775 in 1888, £210 in 1933 and was bought in at Christie's in 1942 for £21. Yet when the English tide was already turning against him in the 1930s, Burne-Jones was still lauded in Europe. Of the Victorian painters, he set himself most apart from the naturalistic school, and his symbolic forms and sometimes near-abstract motifs appealed first to French and Belgian symbolists, then to European art nouveau designers, and later had an important effect on Picasso and Kandinsky. His biggest literary fan was Proust, whose characters in *Jean Santeuil* plastered their walls with Burne-Jones reproductions.

It is the European connection that the British Council

celebrates in its touring exhibition, the first solo Burne-Jones show ever seen outside the UK. It opened in Nantes to coincide with a Burne-Jones acquisition at Charleroi, outside Brussels, it emphasised the symbolist links with comparisons of drawings by Burne-Jones and Belgian symbolist Fernand Khnopff; and at

Burne-Jones's work appealed to symbolists, Picasso and Proust

Nancy, art nouveau capital of France, where the show has just arrived, it trumpets the influence on art nouveau architecture and interior design.

Like many Victorians, Burne-Jones reacted against his times. "Then science became materialist, and then I painted angels," he said. But while artists such as Leighton escaped into paradisaical fictions, Burne-Jones depicted contemporary conflicts in symbolic language. His mythological figures are desperate, tortured creatures; in the drawings they are running, fleeing, cowering in terror. In an Aeneas illustration, shipwrecked women, bodies, legs, gowns, hair hurdle across each other in panic. In the Merlin studies, the convoluted, swirling movement of robes and drapes conveys the agony of the half-drawn bodies beneath. Repeatedly, in sketches of *Dido*, of Chaucer's heroines, figures twist away, heads turn from the viewer, looking down, out of the picture; one is blindfold.

Where there counterparts in oil remain remote, ethereal, the pencil and chalk portraits are intimate, suggestive of personality, tenderness. In one, Burne-Jones mistress Marie Zambaco as Chaucer's Phyllis, swerves from our glance in a deliberately distancing pose even as her elusive melancholy tempts us back. The head of the pilgrim in a study for "Love and the Pilgrim" has fleshy androgynous features, the averted eye wide open and confused. The inner mood is hinted at; here is a human type rather than the black-clad allegory in the painting. Khnopff, who sought to paint the "invisible" admired above all Burne-Jones precise expression of myth and sentiment.

The most potent drawings date from the 1870s when Burne-Jones developed the "quattrocento" style of highly wrought, multi-toned pencil works such as the studies for Merlin and the Mirror of Venus here. Several display his obsession with Renaissance hairstyles, locks tensely plaited, twisted, swathed about the head, which he copied from Leonardo and Michelangelo. (He once took opera glasses to the Sistine Chapel, "folded his railway rug thickly, and lying down on his back, read the ceiling from beginning to end.")

By the 1890s, the lines are broader, there is a new softness in the head studies, especially those in red chalk. One of the plums at Charleroi is a dreamy late "Study of a Woman" from a private collection, inscribed to Khnopff, shown alongside Khnopff's similar "Study of a Sphinx" dedicated to Burne-Jones. Khnopff called himself a "co-

reuteur des pre-Raphaelites anglais". This show casts a doubly illuminating focus on the drawings, more stylised and decorative, less dynamic, than the paintings, goes to the heart of the artist's aims and vision, giving a closer insight into his personality. Second, seeing the drawings in a foreign context in which they were influential, raises questions about the Victorian role in European art history and suggests that had Burne-Jones and the pre-Raphaelites been appreciated at home early this century, rather than seen as an aberration of the 19th century psyche, the British might have more easily welcomed the European modern movement.

Jackie Wullschlager

At the Musée des Beaux-arts, Nancy, October 20 to December 21.

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TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Spider. 7.35 Quick Draw McGraw. 7.40 Animal World. 7.50 Lark Rise. 8.15 Chudown. 8.30 Bucky O'Hare. 8.40 Going Live!

12.12 Weather. 12.15 Grandstand. Introduced by Steve Rider. From Wembley, including 12.20 Football: Reviewing British clubs in the second round of the European competitions. 12.55 Rugby League: Previewing Great Britain v Australia. 1.15 News. 1.16 Racing from Newbury. At 1.15 The Rugby League. 1.25 Snooker: Grand Prix. Highlights from the semi-finals from Reading. 1.40 Racing: At 1.45 The Grand Prix. 1.55 Snooker: Grand Prix. 2.10 Racing: At 2.15 The FLS Aeropace Handicap. 2.25 Rugby League: Great Britain v Australia in the World Cup final live from Wembley. Ray French commentaries. 4.40 Final Score. Times may vary.

5.05 News. 5.15 Regional News and Sport. 5.20 Dad's Army. Vintage laughs with Arthur Lowe and John Le Mesurier.

5.50 Big Break. Presented by Jim Davidson and John Virgo. 6.30 Noel's House Party. New series. Noel Edmonds returns with his guests dancer Wayne Sleep, comedian Jasper Carrott, tennis ace Pat Cash and actress Pat Coombs.

7.15 Bruce Forsyth's Generation Game. 8.15 Casualty. The staff deal with a mentally handicapped girl whose medication affects her health. Julian musters up enough courage to reveal his true feelings for nurse Sandra Nichol. Starring Nigel Le Vaillant and Cathy Ship-ton. Lionel Jeffries guests stars.

9.05 News and Sport. 9.15 Film: Coming to America. African prince Eddie Murphy journeys to the USA in search of a wife. Arsenio Hall plays his personal valet who also joins in the fun (1988).

11.15 Match of the Day. Bob Wilson introduces highlights from two of the day's FA Premier League games and guests from the other matches. Commentary by John Motson and Clive Tyldesley.

12.15 Snooker: Grand Prix. David Vine introduces the semi-finals from Reading.

1.30 Weather. 1.35 Close.

BBC2

8.05 Film: Swiss Miss. 10.15 Film: Abbott and Costello in Hollywood. 11.35 Holiday Outings. 11.45 So You Want to Play Golf with Peter Allis. 12.15 pm Film: A Night at the Opera.

1.40 Animation Now. 1.50 Network East. Profiling Indian actor Saeed Jaffrey. 2.20 Tantalus. New series. 3.00 Film: Fanny Face. Fashion photographer Fred Astaire turns Audrey Hepburn into a chic model. (1957).

4.40 Snooker: Grand Prix. Highlights from today's semi-finals. 5.25 Tennis: Midland Bank Ladies' Championship. Highlights from the first semi-final. 6.00 Sport. A look at how the government's troubles are boosting the powers of watchdogs MPA. Also on the agenda is the Commons trade and industry committee as it launches its inquiry into the pit hit list and also the treasury committee as it wins a promise from the Chancellor to give it a key role in monitoring inflation.

6.30 News and Sport. 6.45 Pole to Pole. Michael Palin and his team attempt the final journey - travelling from the North Pole to Antarctica. With subtitles. Shown Wednesday on BBC1.

7.35 The Leagues. Following concert pianist Killa and Marielle Labèque on their international tour. They play a variety of music - classical, modern, rock, jazz - to various audiences.

8.35 Have I Got News for You? Satirical humour with Ian Hargreaves and Paul Merton, who are joined by The Mary Whitehouse Experience's David Bedford and Liberal Democrat President Charles Kennedy. MP. Presented by Angus Deayton.

9.05 Testament of Youth. After hearing of her fiancé's death, Vera (Cheryl Campbell) volunteers for overseas service in Etaples, where she nurses wounded prisoners of war.

10.00 The British Dr. Sandi Toksvig, Tony Hawks and Frank Skinner join host Jimmy Mulville for the last programme in the series.

10.30 Snooker: Grand Prix. The latest from the semi-finals.

11.15 Film: A Bullet for the General. Spaghetti Western. Klaus Kinski stars (1967).

1.15 Close.

LWT

8.00 TV-am. 9.25 What's Up Doc? 11.30 Movies. Movies. 12.00 The ITV Chart Show. 11.30 America's Play. Action. 12.00 Sign On. Your Views. 12.30 pm Songs and Memories.

1.00 ITN News. Weather. 1.05 LWT News and Weather. The Day. 1.15 WCW Worldwide Wrestling. Top grappling action. 2.05 International Rugby. France v South Africa. Live coverage of the Second Test as the Springboks continue their first European tour since returning to the international rugby fold earlier this year.

4.40 ITN News and Results. Weather. 5.00 LWT News. Weather. 5.05 Cartoon Time. 5.15 Dinosaurs. 5.45 Catchphrase. 6.15 Gladiators. With Ullrich Jonsson and John Fashanu. 7.15 Blind Date. Hosted by Cilla Black. 8.15 Beattie's About. 8.45 Dame Edna's Neighbourhood Watch. Edna hosts the final programme in her Through the Key-hole-style series. Aided by a dandy former bridesmaid Midge Allsop, she uncovers the intimate secrets of a member of the studio audience.

9.15 Film: Cocktail. Young barman Tom Cruise is taught the skills of the trade by a self-styled bartender and philosopher - but romantic complications develop when the apprentice falls for a beautiful woman. Bryan Brown co-stars (1988).

11.10 ITN News. Weather. 11.25 LWT Weather. 11.30 Hale and Pace. Mirth and mayhem when comedy duo Gareth Hale and Norman Pace meet the man who built the set for Prisoner: Cell Block H. 12.00 Almost Grown. Get Stuffed! ITN News Headlines.

1.00 The Big E. (British Summer Time special). Following by Lady Car Race. Get Stuffed and ITN News Headlines. 2.05 The Gig. 3.05 New Music. 4.05 Rhythm 'n' Reag. 4.30 The Hit Man and Her.

CHANNEL4

8.00 Early Morning. 10.00 Kabbadi. 10.30 Gaz-zetta Football Italia - With Paul Gascoigne. 11.30 America's Play. Action. 12.00 Sign On. Your Views. 12.30 pm Songs and Memories.

1.00 Film: The Silent Enemy. With Laurence Harvey as Li Crab, who led troops against the Italians in the Mediterranean in 1941 (1958).

3.05 Racing from Doncaster. Including the 3.10 Variety Club 'Sunshine Coast' Handicap. 3.45 Racing Post Trophy. 4.15 Doncaster Stakes and 4.45 Friends of the Variety Club of Great Britain Nursery Handicap races.

5.05 Brookside. 5.30 Right to Reply. General Sir Anthony Farrar-Hockley, former Colonel Commandant of the Parachute Regiment, discusses Lynda La Plante's BBC drama Civvies with producer Ruth Caleb and director Karl Francis. 7.00 A Week in Politics. Tony Newton MP, Leader of the House of Commons, offers his view on whether the Government has lost its way. How will ministers negotiate the problems of the month ahead including the Maastricht Treaty, public spending cuts, the new council tax and permanently postponed elections? Plus, will the European Fighter Aircraft be built by Britain alone, or will it be a victim of spending cuts?

8.00 The Chinese Wildman. Following two eminent anthropologists' expedition to find the legendary half-man, half-ape creature of China. Reported sightings date back more than 2,000 years. The film joins 110 Chinese scientists in the extensive investigation through some of the most inaccessible parts of China.

9.00 Court TV: America on Trial. More extracts from American trials including Florida v Mills: A young Vietnamese student is killed to death in what is believed to be a racially motivated attack. Brad Mills, one of seven white youths accused of second degree murder, is being tried first. Did he take part in the beating or was he trying to break up the fight?

10.00 Film: Nasty Girl (1989) (English subtitles). 11.15 The Last Run Free. 12.15 Film: The Return of Maxwell Smart (1988). 1.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:

ANGLIA: 1.00 Anglia News. 1.10 Cartoon Time. 1.35 Cheddar Road. 5.00 Anglia News and Sport. 11.25 Regional Weather.

BORDER: 1.05 Border News. 1.10 Granada Sports World. 5.00 Border News. 5.05 Border Sports Results.

CENTRAL: 1.10 The Mountain Side Show. 1.35 Central News. 1.40 Cartoon Time. 5.00 Central News. 5.05 The Central Match - Goals Extra. 11.25 Local Weather.

CHANNEL: 1.10 The Munsters Today. 1.05 Diary Dates. 1.10 Motor Sport Special. 1.40 Zorro. 5.00 Channel News. 5.05 Puffin's Place.

GRAMP: 1.05 Grampian Headline. 1.10 Grampian News. 1.15 Grampian Sports. 1.35 Out of Limits. 5.00 Grampian Headline and Weather. 5.05 Put It in Writing. 11.25 Grampian Weather.

GRANADA: 1.10 Zorro. 1.35 Granada News. 1.40 Granada Sports World. 5.00 Granada News. 5.10 Granada Goals Extra.

ITV: 1.05 ITV News. 1.10 Grand Prix at Sea. 1.35 Chequered Flag. 5.00 ITV News and Sport.

SCOTTS: 1.05 Scotland Today. 1.10 Calypso Planet. 1.40 The Making of Dances with Wolves. 5.00 Scotland Results. 5.10 Scotland Today. 11.25 Scotland Weather.

TSW: 1.10 The South West News. 1.05 TSW News. 1.10 Discovering Gardens. 1.40 Supermarket. 5.00 TSW News. 5.05 Honeybun's Cartoon Time. 11.25 TSW Weather.

TVS: 1.10 The Munsters Today. 1.05 TVS News. 1.10 Motor Sport Special. 1.40 Zorro. 5.00 TVS News.

TYNE: 1.05 Tyne News. 1.10 1992 Mountain Bike Championship. 1.40 Chequered Flag. 5.00 Tyne News. 11.30 Lady Sings the Blues.

ULSTER: 1.05 Ulster News. 1.10 Ulster News. 1.15 Ulster News. 1.30 Ulster News. 1.35 Ulster News. 1.40 Ulster News. 1.45 Ulster News. 1.50 Ulster News. 1.55 Ulster News. 2.00 Ulster News. 2.05 Ulster News. 2.10 Ulster News. 2.15 Ulster News. 2.20 Ulster News. 2.25 Ulster News. 2.30 Ulster News. 2.35 Ulster News. 2.40 Ulster News. 2.45 Ulster News. 2.50 Ulster News. 2.55 Ulster News. 3.00 Ulster News. 3.05 Ulster News. 3.10 Ulster News. 3.15 Ulster News. 3.20 Ulster News. 3.25 Ulster News. 3.30 Ulster News. 3.35 Ulster News. 3.40 Ulster News. 3.45 Ulster News. 3.50 Ulster News. 3.55 Ulster News. 4.00 Ulster News. 4.05 Ulster News. 4.10 Ulster News. 4.15 Ulster News. 4.20 Ulster News. 4.25 Ulster News. 4.30 Ulster News. 4.35 Ulster News. 4.40 Ulster News. 4.45 Ulster News. 4.50 Ulster News. 4.55 Ulster News. 5.00 Ulster News. 5.05 Ulster News. 5.10 Ulster News. 5.15 Ulster News. 5.20 Ulster News. 5.25 Ulster News. 5.30 Ulster News. 5.35 Ulster News. 5.40 Ulster News. 5.45 Ulster News. 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"I THINK..." said the caller to the Radio Programme Call Nick Ross, rather optimistically. "I think," the voice eventually continued, "that we need a centrally planned economy."

"Aha!" said Ross, on the ball as ever, "I take it you are a Labour Party supporter." "Certainly not," replied the caller, indignantly, "I'm a Conservative voter."

Later in the programme, which, naturally, had chosen the pit closure programme as its topic of the week, a fully-fledged member of the Conservative Party called in. It was another woman who thinks. This one thought it was a disgrace that we were importing "cheap coal" from foreign countries like Columbia instead of using more expensive British coal.

Tories who want a five-year plan

Dominic Lawson unearths a strange phenomenon: loyal Conservatives who oppose the free market

"But that is the way markets work," replied Ross, a paragon of patience. "You are in favour of free markets, aren't you?"

"Not if it means importing cheap foreign coal," the Conservative Party member shot back.

One begins to see in what way the Conservative Government has lost touch with its supporters. It has failed to recognise that its own people are socialists under the skin. And who can blame John Major or Michael Heseltine for such a monumental miscalculation? Certainly not I, who can still see the brown stain on the carpet where I spluttered the contents of a cup of

tea while listening to Nick Ross's interlocutors.

But, as Samuel Brittan pointed out in an outstanding article in Thursday's *Financial Times*, it is not just confused Conservative countrywomen who are suddenly seeking some sort of state-aided plan of national salvation.

"Most dispiriting of all," he wrote, "judging by the *FT* letters column, is the number of businessmen who expect economic leadership from Government, as if the UK were a single concern managed by a Whitehall Coplan. When will they take a lesson from their Italian counterparts and look for salva-

tion at their own hands?"

It is particularly astonishing that the problems of the coal mining industry should have led businessmen and Conservative MPs (frequently the same thing) to call for a National Strategy For Energy. It is precisely such a strategy which has got the coal industry into such a terminal mess.

The strategy was that at least 20 per cent of Britain's generating capacity should be nuclear, never mind the price. And whereas the loss making coal mines on Heseltine's incredible disappearing list are said by the President of the Board of Trade (based on some

very fishy mathematics) to be costing £100m pounds a year, the nuclear electricity generating industry cost Britain's taxpayers almost £1.3bn pounds last year. Without "A National Energy Strategy" this would never have happened, and most likely there would have been more miners and fewer nuclear engineers in employment.

But now industrial five year plans - what Samuel Brittan calls the "make cures for depression" - are back in fashion. The *Independent* newspaper, purveyor of snake oil cures to the gentry, has come up with a "ten point plan for national recovery". (Why is it

always ten? Perhaps we need only nine points. Or maybe we could do with 11.) Naturally the *Independent* says that the Government must (point number two) "push ahead with major road and rail projects" and (point number three) "revive the housing market". The costs of these measures are not specified, although it seems likely that the Government will find it very difficult to fund through the markets even its existing expenditure plans, involving the borrowing next year of £45bn pounds. No, Mr Brittan is right, our businesses must look to themselves for economic salvation and success.

Here is my three point plan. One: shopkeepers to offer better service, and to encourage their assistants to match Continental standards of helpfulness and interest. Two: all businesses to ensure that their company's telephones are answered promptly and efficiently, and above all, abandon the practice of funneling canned music down the ears of would-be customers. Three: all businesses to ask their customers "is there any way in which our product or our service could be improved?" rather than wait to be told that they have lost the contract.

I have a feeling that this strategy, if applied, could stimulate the economy without adding to the burden of the national debt. At the very least it should diminish the national gloom. Perhaps I should suggest it to Nick Ross.

■ Dominic Lawson is Editor of *The Spectator*.

User Friendly, but only up to a point...

Michael Thompson-Noel meets owner Bill Gredley

TWENTY-ONE years ago I stood in the grandstand at Epsom racecourse and watched Mill Reef, one of the century's greatest racehorses, flash to victory in the English Derby. At the end of that season, 1971 - I and hundreds of Mill Reef's fans flew to Paris where Paul Mellon's champion scored his most famous victory in Longchamp's Prix de l'Arc de Triomphe, the world's greatest horserace.

Mill Reef has departed. He has gone to the paddock in the sky where he listens to celestial birdsong and watches beautiful cloudscape compose and recompose themselves, morning and night, above the marble-bright stable reserved for Turt Legends.

Gone, but not forgotten, for Mill Reef's genes still whizz round racetracks with graceful athleticism, and will do so for centuries. Seven years after Mill Reef won at Epsom, one of his sons, Shirley Heights, also won the English Derby. Seven years after that, one of his sons, Slip Anchor, won the English Derby. And seven years after that, in June 1992, one of Slip Anchor's daughters, a bay filly named User Friendly, won the English Oaks, the distaff equivalent of the Derby, as part of her head-up to her second-place finish, beaten a scant neck, in the Prix de l'Arc de Triomphe three weeks ago.

To breed and own a racehorse like Mill Reef or User Friendly is one of the rarest distinctions in sport. Many have tried. They have spent colossal sums. But their money has evaporated. In the history of the racehorse - also known as the thoroughbred - untold billions' worth of time, skill and patient endeavour has been lost down the drain, flung to the winds, in the effort to produce champions. Explanation: no one really knows why one racehorse runs faster than another.

To find the man who bred and owns User Friendly I drove north from London to Newmarket, through Six Mile Bottom, right at the roundabout to the village of Stetchworth, left into Church Lane and up to the

entrance to Stetchworth Park Stud. I stopped the car at a big white gate. It opened electronically. In I ventured, nursing my car over the sleeping policemen that are one of the millionaire hallmarks of big-scale racing estates, from Newmarket to Normandy to bluegrass Kentucky. Fountains plashed languidly. Everything shone immaculately. Serious money.

Extremely serious money. The owner of Stetchworth Park, where User Friendly was born, is Bill Gredley, a mild and modest Englishman, 59, whose privately-owned Unex Group (property, oil and gas in Canada, local bus companies, etc), has assets, he told me, of about £100m - suitable underpinning for a racing empire of 170-180 horses, including mares, stallions, foals, year-

'I have a different approach to breeding. We tilt at windmills'

lings and horses in training. Totalling 1,000 acres, Stetchworth Park is probably the biggest non-Arab-owned racing operation in Britain.

Recently, Bill Gredley called for a one-day boycott of racing by owners to protest at low levels of prize money. He withdrew the call last Tuesday. Bill Gredley started in racing in the mid-1970s when he was farming in Hertfordshire and decided to buy a couple of mares. From there, things grew and grew. Had his successes, especially with User Friendly, exceeded his fondest expectations?

"With the number of horses that we're running, and with our breeding programme, we'd be disappointed if we didn't breed a Group 1 winner (the highest category) every year. I know it is difficult, but we've gone close with a lot of other good horses, not just User Friendly."

Can anyone breed champions? "No, I don't think they can. I think you have to have a feel for the horse. You have to have some empathy. There's a

lot of people who can do it, but they tend to follow traditional lines, whereas I do things differently. There is a certain amount of luck in it as well."

Was his racing self-financing, or was he constantly pouring money into it?

"No, not really. Last year our prize money earnings were about £400,000. This year, mainly with User Friendly, we've got nearly £800,000. And we sell horses at the sales. We sold one the other day for 400,000 guineas (£420,000), a full brother to User Friendly. And I suppose if we wanted to sell User Friendly herself we would get an enormous sum for her. We take the view that everything is for sale. We are a business, and sensible offers are always considered."

I asked: "How much is she worth? Is she worth the £125m that I guesstimated in the *Weekend FT* the other day, or more?"

Bill Gredley smiled. "I read your piece. I think you were a bit low," he said. "For a start, she's now going for the Japan Cup in Tokyo on November 22, and that could be worth £750,000." In addition, she stays in training next year, when she could win anything up to or over £1m. Although her owner would not say, for reasons of commercial caution, it is clear he thinks that User Friendly is easily worth £2m-plus.

Was User Friendly well?

"Very well. In the Arc she lost 12 or 15 kilos, but put the weight straight back on. She's a wonderful horse to train because she has a run, she has a week's rest, then she does two or three bits of work and she's off again to the races. The only raw exercise she's really getting is in her races. "Next year she'll be better than ever. She has improved with every race. She's got stamina, speed, temperament and manoeuvrability. If she had won the Arc it would have been a fairytale, but we were happy being second."

"User Friendly has come at a good time. My wife died two months ago after a long illness. It was a traumatic time, and in a strange way User Friendly's success helped Sara towards the end. User Friendly helped



Thoroughbred team: jockey George Duffield, User Friendly, Bill Gredley and his son Tim in the winner's enclosure

to soften our sorrow and keep everyone busy."

I asked Bill Gredley what qualities he brought to the business of producing racehorses.

"I consider myself a judge of a horse," he said. "I don't rely on others to do my buying, so in that sense I am my own man. If I see a good horse, I'll buy it, though not for a lot of money. The idea is not to spend big money. I have a stud manager here. We talk about conformation and so on, but I sort out the matings myself. We have a training establishment here as well as the stud. "Everything is cost-efficient. What we do is find out the good ones and put them into training. The bad ones we sift out here. It's very cheap to do it that way. That's something we started last year, and it's completely new, an innovation. We can have up to 30 yearlings. If you find four or five out of 30 worth sending to an outside trainer, you'll be very happy."

"There is a lot of tradition in horse racing, and people think one should carry on in the time-honoured way. But I don't subscribe to that. I have a different approach to breeding and racing. We tilt at windmills, and have been very successful in doing so."

"I'm not one for yachts or too much leisure. I get pleasure from seeing the horses, working them, handling them, talking to them, understanding them. It's something you don't just acquire overnight. I get

satisfaction also from the fact that we're reasonably successful, and like most other things it has to pay for itself. If we were to run at a loss, like any other business we would have to cut back. I'm not saying we run it at a great profit, but we are certainly keeping our heads above water."

I asked Bill Gredley if he was highly competitive, the way that many owners are. "I don't think so. I'm very laid back, very relaxed. I'm not someone who must win at all costs."

Did British racing need more prize money? "Yes. It used to be the Sport of Kings, and people didn't worry about cost.

But things have moved on. It now costs, I suppose, an average of £20,000 to buy a horse, and another £18,000 a year to train and race it, which is a lot of money. I know that you don't have to buy horses. But people do, and that is why there is a sport. There must be more prize money."

"There are, and always will be, a small minority of owners who would race for nothing. But the others need some hope that they're going to get something back from their racing. If you don't give them that hope they'll drift out and racing will go down and down. It will be counter-productive for the government."

Although he doesn't use the strike word, Bill Gredley called for a one-day strike by owners for higher prize money. "The owners ought to instruct their trainers not to enter their horses for a particular Monday. Just once. Just to demonstrate what would happen if the betting shops didn't have horse racing. Horse racing is an institution, quite unique. The money racing needs should come from the turnover tax on betting, at present 7% per cent. The government is getting £320m in this way. If they don't keep racing pump-primed by putting more of the betting tax back into the industry, I can see that their take will go down to £180m."

"But there are thousands of races," I countered, "and thousands of horses. Never have I entered a betting shop or opened a newspaper and said: 'Blow me down, there aren't many horses to bet on today'."

Again Bill Gredley smiled. "You might have to reconsider that next year," he said. "There's nobody buying horses. Trainers haven't got orders. And that is a forewarning of what is happening."

Will he ever breed another User Friendly? "I'll be disappointed if I don't," he said. "I consider myself a young man at this game."

Why Rome's mosaic succeeds

Christian Tyler admires Italian self-confidence

IT IS SAID that the barbarians were overawed when they descended on Rome for their regular pillages. We, the latter-day Franks, Huns, Norsemen and Celts, are not so much overawed as intimidated by the Eternal City. We come in a spirit of pilgrimage, not pillage, crossing the Alps to be dazzled by the light, liberated by the life and cowed by the monuments of the emperors and popes.

Even at this time of the year when lightning flickers behind the seven hills and the city steams in daily downpours we are to be seen swarming through the streets. At the head of each patient flock marches a drover, an umbrella held aloft in place of a shepherd's crook. When two flocks collide and merge there are bleats of alarm from some of the old wethers, afraid of becoming detached and maybe lost for ever.

Shoulder to shoulder, nose to tail, the pilgrims plod through the Vatican galleries; they shuffle dutifully past sculptures, tapestries, busts, urns and frescoes until, more dead than alive, they are squeezed through the last narrow doorway into that sublime collect-

ing ring, the Sistine Chapel.

Our puritan decency may be shocked by the pagan extravagance of Rome's religious art. But our blood is certainly heated by the sensuality of a Michelangelo or Bernini nude, by the sight of strong marble fingers pressing into soft marble flesh. The sculptor Canova is said to have been so excited by his portrait of the beautiful Pauline Borghese, Napoleon's sister, that he would snuff her statue was not alive.

We sweat, we suffer, but we have no choice. And the Romans know it. They smile at us with pity as they charmingly disembarrass us of our money.

It is no good us saying the Italians have nothing but their past to be proud of. Of course the economy is bankrupt, the government perilously feeble, the politicians corrupt, the bureaucracy a joke and the country beset by scandal. The Roman *modus vivendi* is enough to drive the punctual, orderly northerner to the verge of insanity.

But secretly we are envious. How do they get away with it? In this atmosphere of crisis - and the present crisis, you are

daily assured, is the greatest of them all - they should be going about with furrowed brows, grasping at any straw of comfort they can glean from the news bulletins. Instead you see everywhere the same old insouciance. A glass of dry Marsala to wash down the stuffed quail? Why not? A drop of brandy to finish off? Of course.

The self-confidence of the Italians is superb. One veteran observer explains it by saying that Italy does not exhaust herself by looking for answers but lives with her problems. It is the trick of believing that so long as the little things of life "vaiano bene" the big issues will take care of themselves.

Perhaps that is why Italians have always been among the keenest federalists in Europe. If Brussels wants to take on some of our bigger burdens, then let her do so: it cannot be worse than the government in Rome. If the foreign banks want to do business here, let them: they can only be an improvement on what goes on already. After all, wasn't the original treaty signed in Rome and didn't the word subsidiarity originate in the Vatican itself?

One cannot help making the

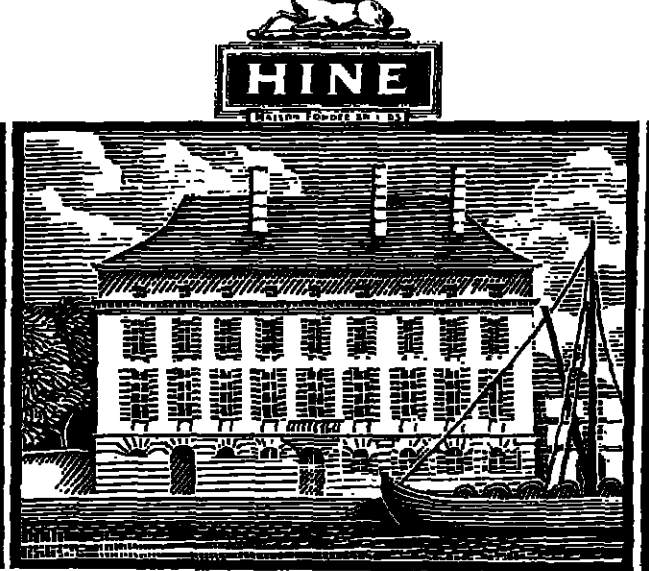
comparison with Britain, a country struggling to remain in the first division of nations and psychologically still crippled by the loss of empire. It is as if Britain's past were a burden to her rather than a cause for self-confidence and pride, as if a great cultural legacy were an excuse for obsessive nostalgia rather than a guarantee of future enjoyment.

To live in a museum need not make you whey-faced with worry; on the contrary, what is more comforting than to wake up each day surrounded by the glorious remains of your past?

With their exploding debt and collapsing politics the Italians have every reason to be afraid of finding themselves beggars on the fringe of Europe. And maybe, this time, they will. But what matters is that they don't see it like that. Something will turn up.

Where we northerners look for big problems and complete solutions, the Romans are content to place their lives together from day to day, like mosaic. And that is why, like Goethe and Ibsen, Liszt or Mozart, we need to climb the Alps and take a breath of air on the other side. Here in Italy, everyone can have his shout.

Les Secrets Précieux de



LA MAISON

On the banks of La Charente, France's legendary cognac river, nestles a picturesque and much lauded cluster of buildings. Yet more celebrated are the foundations laid down by their most illustrious inhabitant -

Thomas Hine. It was his genius that fashioned this 'chai'

into what is arguably the world's finest cognac house:

the House of Hine. To the five generations that

followed him, Thomas Hine's original 'code

de qualité' was treated as sacrosanct. So

that, although the facon of today

may bear a contemporary

date, the quintessence of

the spirit that it

houses, remains

timeless.



COGNAC IS OUR HERITAGE.